

FINANCIAL MANAGEMENT OVERSIGHT REVIEW

Full Scope Systems Review

of the

Transportation District Commission of Hampton Roads

—
PERFORMED FOR

U.S. DEPARTMENT OF TRANSPORTATION

FEDERAL TRANSIT ADMINISTRATION



Prepared by

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for

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Report of Independent Accountants

To the Regional Administrator
Federal Transit Administration Region III:

We understand that the Federal Transit Administration (FTA) has awarded the Transportation District Commission of Hampton Roads ("Hampton Roads Transit" or "HRT") the grants listed in Section I of this report. We have examined the effectiveness of HRT's internal control over compliance with FTA financial management system requirements as of April 21, 2011, as set forth in Section VI of this report, based on [49 CFR part 18](#) "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments" (Common Rule), [Section 18.20](#), "Standards for Financial Management Systems." Management is responsible for maintaining effective internal control over HRT's compliance with FTA financial management system requirements. Our responsibility is to express an opinion on the effectiveness of management's internal control over compliance with FTA financial management system requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of the financial management system, testing, and evaluating the design and operating effectiveness of the financial management system, and performing such other procedures, as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on HRT's compliance with FTA financial management system requirements.

Because of inherent limitations in any internal control structure or financial management system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the financial management system to future periods are subject to the risk that the financial management system may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As discussed in Section II of this report, our examination identified material weaknesses in HRT's internal controls over compliance with FTA financial management system requirements. A material weakness is a deficiency, or combination of deficiencies, in internal control over a grantee's financial management system, such that there is a reasonable possibility that a material noncompliance with the Common Rule in relation to the applicable grants will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

In our opinion, except for the effect of the material weaknesses described in the preceding paragraph on the achievement of the objective of the financial management system criteria, HRT has maintained, in all material respects, effective internal control over its compliance with FTA financial management system requirements as of April 21, 2011, based on the criteria established by the FTA as set forth in Section VI of the report.

Significant deficiencies are discussed in Section III of this report. Certain advisory comments regarding procedures that do not affect our opinion or impact the criteria cited in the first paragraph of this report are described in Section IV of this report.

Milligan & Company, LLC

Milligan & Company, LLC

April 21, 2011

SECTION I

Brief Description of Hampton Roads Transit (As Prepared by Grantee)

The Transportation District Commission of Hampton Roads (“Hampton Roads Transit” or “HRT”) was formed on October 1, 1999 by the merger of two predecessor agencies. The Transportation District Commission of Hampton Roads is HRT’s governing body. HRT is governed by the Board of Commissioners as regulated by the Transportation District Act of 1964 (Title 15.2, Chapter 45, Code of Virginia). The Commission consists of representatives from each of the seven cities HRT serves, one state senator, one state delegate and the chairman of the Commonwealth Transportation Board or his designee. HRT provides public transportation services within the seven cities of Hampton Roads, employs 850 people, and operates over 350 revenue vehicles. A majority of HRT’s workforce is represented by the Amalgamated Transit Union Local 1177 and total about 650 employees. There are also about 200 administrative employees who support HRT’s daily operations. The total service area is over 370 square miles with annual ridership exceeding 15 million passengers. HRT’s FY11 budget is \$81 million.

HRT has administrative offices in Hampton and in Norfolk, Virginia with operations and maintenance facilities in Hampton, Norfolk and Virginia Beach. Due to the age and operational challenges of the existing Norfolk 15th & 18th Street facilities, HRT is replacing its Southside administrative and operations facilities. The new facilities are expected to meet HRT’s operational and administrative requirements over a 30-year planning horizon. When completed, the structure will be in the running for Leadership in Energy and Environmental Design (LEED) certification, which will attest that it was built using strategies, aimed at energy savings, water efficiency, carbon dioxide emission reduction, and improved indoor environmental quality.

HRT provides traditional fixed route bus transportation via a network of 81 fixed routes. In addition, HRT provides downtown shuttle and circulator services and seasonal trolley services at the Virginia Beach resort area. HRT also operates a paddlewheel ferry service between the downtowns of Norfolk and Portsmouth. Together these services carry nearly 15.5 million passengers annually and serve 50,000 passengers per average weekday. HRT has over 43 transfer locations in its system and 3,500 bus stops. The largest passenger transfer facility is located at Cedar Grove in downtown Norfolk and serves about 5,000 people per weekday via 18 different bus routes. The MAX, or Metro Area Express, is HRT’s regional express commuter service connecting all of Hampton Roads via eight different routes.

HRT’s TRAFFIX Travel Demand Management program is a cooperative public service designed to promote transportation alternatives. TRAFFIX was established in 1995 and since inception has helped hundreds of people with and without cars to meet their transportation needs. TRAFFIX has assisted in the development of dedicated park & ride lots, such as the Park & Sail lot in Portsmouth, obtaining funding to establish express bus service to Naval Station Norfolk. HRT continues to work with employers (large and small) to establish transportation programs that will encourage the use of alternate modes when commuting to work.

The Handi-Ride Program is HRT’s ADA paratransit service that operates in the cities of Chesapeake, Hampton, Newport News, Norfolk, Portsmouth, Suffolk and Virginia Beach. HRT provides lift equipped van service commonly known as Handi-Ride through a contracted service provider. Handi-Ride operates 365 days a year. Service is provided during the same hours of

operation as the regularly scheduled HRT buses. Handi-Ride service is available within 3/4 of a mile of regularly scheduled bus routes and is available to certified passengers.

A light rail line, the Tide, within the City of Norfolk is currently nearing completion of construction and will begin revenue service in 2011. The Tide is Virginia's first light rail system. It will extend 7.4 miles from downtown Norfolk to the Norfolk-Virginia Beach border at Newtown Road. The Tide will debut with nine state-of-the-art light rail vehicles and will carry between 6,500 and 12,000 riders per average weekday. An enhanced feeder bus system will provide strong bus connections to the rail system for broader public access.

HRT is funded in the following manner:

- Federal Funding – 32%
- State Funding – 16%
- Passenger Revenues – 21%
- Local (municipal funding) – 31%

The Hampton Roads region is the largest metropolitan area between Atlanta and Washington D.C. Overall population exceeds 1.3 million with a civilian labor force of over 825,000. The region also boasts one of the youngest populations among metropolitan areas on the East Coast with an average age of 33.6 years. In addition, the region offers outstanding residential options, expansive shoreline, museums, orchestra, opera, theater, festivals, professional sports, regional shopping malls, colonial cities and towns, state and national parks. Importantly, Virginia is an employer-friendly state with its "Right to Work" status. Over 86,000 students are enrolled in the region's 11 colleges and universities. The Port of Virginia is one of the largest and busiest ports on the U.S. East Coast with growth projections doubling current volumes in the near term.

Principal bus transportation service is currently provided from the following seven facilities:

- City of Hampton Victoria Boulevard Facility
- City of Norfolk 18th Street Operations and Maintenance Facility
- City of Norfolk 15th Street Administration and Maintenance Facility
- City of Virginia Beach VB Wave Operations Division
- City of Newport News Transportation Center
- City of Hampton Transportation Center
- City of Newport News Satellite Facility

The following information represents a list of HRT's open FTA grants effective during the FMO review period January 1, 2010 through December 31, 2010:

<u>Grant No.</u>	<u>Amount</u>	<u>Year</u>	<u>Description</u>
VA-03-0107	\$ 127,980,000	2005 5309	• Norfolk Light Rail Transit Project (FFGA)
VA-04-0035	\$ 12,439,999	2007 5309	• Southside Bus Facility
VA-05-0040	\$ 1,550,919	2008 5309	• Fixed Guideway Modernization
VA-05-0043	\$ 1,641,252	2009 5309	• Fixed Guideway
VA-05-0045	\$ 2,308,197	2010 5309	• Fixed Guideway Modernization
VA-37-X014	\$ 2,082,175	2010 5316	• Job Access and Reverse Commute
VA-39-0002	\$ 979,200	2010 5339	• Virginia Beach AA/SDEIS Supplement
VA-57-X001	\$ 1,307,586	2010 5317	• New Freedom Program
VA-58-0001	\$ 2,700,000	2010 5308	• Southside Bus Facility (Clean Fuels)
VA-66-X004	\$ 10,000,000	2010 5307	• ARRA STP-Norfolk
VA-90-X262	\$ 7,124,830	2005 5307	• Capital/Planning Assistance
VA-90-X282	\$ 20,094,653	2006 5307	• Capital Assistance
VA-90-X304	\$ 15,378,405	2007 5307	• Capital Assistance
VA-90-X320	\$ 17,082,896	2008 5307	• Capital/Planning Assistance
VA-90-X344	\$ 18,173,406	2009 5307	• Formula Funds
VA-90-X359	\$ 19,091,489	2010 5307	• Capital Assistance
VA-95-X001	\$ 25,946,553	2010 5307	• LRT STP Funds
VA-95-X014	\$ 10,955,363	2010 5307	• FY09-10 Flex Funds
VA-95-X063	\$ 4,800,000	2010 5307	• Transit Terminal, Planning, LRT
VA-95-X064	\$ 13,906,422	2010 5307	• Norfolk LRT STP additional State funding
VA-95-X070	\$ 8,364,093	2010 5307	• Southside Bus Facility
VA-95-X080	\$ 88,000	2010 5307	• CMAQ Funds-Newport News
VA-95-X081	\$ 104,000	2010 5307	• Jordan Bridge Service/CMAQ Funds
VA-96-X003	\$ 24,096,312	2010 5307	• ARRA Capital/Operating Assistance

SECTION II

Material Weaknesses

For purposes of this review, a material weakness is a deficiency, or combination of deficiencies, in internal control over a grantee's financial management system, such that there is a reasonable possibility that a material noncompliance with the Common Rule in relation to the applicable grants will not be prevented or detected and corrected on a timely basis.

The conditions and recommendations are provided below, with notation of the standard impacted, discussion of the significance of the condition, a summary of the Grantee's proposed corrective actions and evaluation thereof.

II.1 – Deficiencies from Prior Reviews

Condition

In March 2010, the Commonwealth of Virginia Department of Transportation ("VDOT"), Office of Inspector General ("OIG") began a special review of HRT's operations and the Norfolk Light Rail Project ("the Tide"). The OIG cited 31 recommendations for HRT to improve upon.

In February 2011, the FTA conducted a review of HRT's procurement systems. Deficiencies were cited relative to 24 of 56 procurement requirements.

Standard(s) Impacted

49 CFR 18.20(b)(1) Financial Reporting. Grantees must have procedures to provide reasonable assurance that "accurate, current, and complete disclosure of the financial results of financially assisted activities [are] made in accordance with the financial reporting requirements of the grant or subgrant."

49 CFR 18.20(b)(2) Accounting Records. "Grantees and sub Grantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities.

49 CFR 18.20(b)(3) Internal Control. "Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets."

49 CFR 18.20(b)(4) Budget Control. "Actual expenditures or outlays must be compared with budgeted amount for each grant or subgrant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or subgrant agreement."

49 CFR 18.20(b)(5) Allowable Cost. Grantees must have procedures to provide reasonable assurance that "Applicable OMB cost principles [i.e. [Circular A-87](#), which is incorporated within [49 CFR 18.22](#)], agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs."

SECTION II

Material Weaknesses (cont'd)

II.1 – Deficiencies from Prior Reviews (cont'd)

Standard(s) Impacted (cont'd)

49 CFR 18.20(b)(6) Source Documentation. "Accounting records must be supported by such source documentation as canceled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc."

49 CFR 18.20(b)(7) Cash Management. "Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by Grantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on Subgrantee's cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the Grantee must make draw downs as close as possible to the time of making disbursements. Grantees must monitor cash draw downs by their sub Grantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the Grantees."

49 CFR 18.30 Project Change Accounting. The Grantee's project financial accounting system must be able to document and track project changes that result in the need for additional funds, a revision in the scope or objectives of the project, or a need to extend the period of availability of funds or any other changes or budgetary transfers which would require the prior written approval of the FTA.

49 CFR 18.32(d) requires that Grantees and sub Grantees must maintain a fixed asset control system providing detailed property records for assets acquired under a grant or subgrant, and including procedures to provide reasonable assurance that safeguards are present to prevent or detect unauthorized acquisition, use, or disposition of the property, and that maintenance procedures are implemented for such assets.

FTA Circular 4220.1 F – Third Party Contracting Guidance

FTA Circular 5010.1 D – Grant Management Requirements

FTA Circular 9030.1 D – Urbanized Area Formula Program

Recommendation

The Grantee should continue its efforts to address the conditions cited in the VA DOT and FTA procurement reports as a part of a comprehensive corrective action plan.

These corrective actions should be fully implemented within 180 days of this final report.

SECTION II

Material Weaknesses (cont'd)

II.1 – Deficiencies from Prior Reviews (cont'd)

Discussion

Special Review – VDOT OIG

In March 2010, at the request of HRT's then-Acting Chief Executive Director, the VDOT OIG began a special review, with the following objectives:

- Evaluate HRT's management preparation, timing and disclosure of budget, actual, and cost-to complete analysis for the Tide
- Evaluate HRT's consultant selection practices
- Evaluate HRT's revenue operations cash control policies and procedures

In a report dated December 14, 2010, the OIG released the results of its review, which identified 31 deficiencies. Of these, five (5) findings were cited for management preparation, timing and disclosure of budget, actual, and cost-to complete analysis for the Tide, three (3) consultant selection practices (procurement), 16 findings were cited for revenue operations, and the remaining seven (7) findings were related to other practices.

In December 2010 HRT launched "Mission 31/90," representing its corrective action plan in response to the OIG's report, and its intent to address all 31 citations in 90 days.

Procurement Systems Review – FTA

In February 2011, the FTA conducted a Procurement Systems Review ("PSR"), the purpose of which was to assess HRT's compliance with 56 "elements," or requirements, as defined in Circular 4220.1F.

In March 2011, the results of the PSR were released, citing deficiencies in 24 of the 56 requirements. The principal weaknesses identified related to HRT's need to implement procurement policies contained in FTA Circular 4220.1F. Specifically, HRT needed to comply with FTA requirements in the following areas: (a) the documentation supporting independent cost estimates; (b) brand name restrictions; (c) sole source justifications and related cost analysis requirement; (d) lack of properly defined time and material contract provisions; (e) lack of documentation for pre-award and post-delivery of rolling stock; (f) written standards of conduct; (g) contract administration system; and (h) procurement policies and procedures.

In a notice dated May 10, 2011, HRT responded to the PSR draft report with its corrective action plan to address the 24 deficiencies cited.

SECTION II
Material Weaknesses (cont'd)

II.1 – Deficiencies from Prior Reviews (cont'd)

Grantee's Response

HRT has made significant progress on addressing the deficiencies from the Other Reviews/Audits. Updates for each of the other reviews are detailed in Section VII of this report.

Evaluation of Grantee's Response

The Grantee has provided an adequate response. Progress toward implementing the corrective action will continue to be tracked up to 180 days after issuance of this report.

SECTION II

Material Weaknesses (cont'd)

II.2 – Project Management Procedures

Condition

The Grantee's project management controls need to be improved. Specifically, we noted the following weaknesses:

1. The Grantee does not have a formal organization wide Project Management Policy in place that outlines consistent best practice processes for managing and executing all projects.
2. The Grantee has not designated an overall project officer with the expertise to oversee major projects and with the authority to enforce compliance with project management best practices organization wide.
3. Currently project accounting information is maintained in various systems (Primavera, Microsoft Project and Microsoft Excel Spreadsheets), none of which interfaces with the Grantee's financial management system (PeopleSoft). As a result, it is difficult to obtain cost information across different projects without relying on extensive manual processes.
4. The Light Rail Project cost information that is reported to project stakeholders is not always reconciled to the General Ledger timely.

Standard(s) Impacted

49 CFR 18.20(b)(1) Financial Reporting. Grantees must have procedures to provide reasonable assurance that "accurate, current, and complete disclosure of the financial results of financially assisted activities [are] made in accordance with the financial reporting requirements of the grant or subgrant."

49 CFR 18.20(b)(3) Internal Control. "Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets."

FTA Circular 5010.1 D Chapter VI Section 2 (e)(1)(e) – Written operating procedures must exist and be simply stated, yet meet the grantee's operating, legal, and regulatory requirements.

FTA Circular 5010.1 D Chapter VI Section 2 (e)(1)(b) – The grantee's formal organization structure must clearly define, assign, and delegate appropriate authority for all duties.

FTA Circular 5010.1D, Chapter VI Section 2 (e)(1)(h) Internal Controls – All personnel must be properly qualified for their assigned responsibilities, duties, and functions. Education, training, experience, competence, and integrity should be considered in assigning work.

FTA Circular 5010.1 D Chapter VI Section 2 (e)(1)(f) The grantee's information system must reliably provide needed operating and financial data for decision making and performance review.

SECTION II

Material Weaknesses (cont'd)

II.2 – Project Management Procedures (cont'd)

Recommendation

We recommend the Grantee:

- Develop formal organization wide Project Management Policy to include best practice processes for managing and executing all projects.
- Designate an overall project officer with the expertise to oversee major projects and with the authority to enforce compliance with project management best practices organization wide.
- Consider employing the PeopleSoft Projects module to streamline the management of all projects and integrate them with the General Ledger.
- Reconcile the Light Rail Project cost to the PeopleSoft General Ledger

This recommendation should be implemented within 120 days of the final report.

Discussion

We reviewed project documentation for the Light Rail and South Side Facility Projects to determine whether the Grantee has a formal organization wide Project Management Policy in place. We noted during the review that the management of both projects was based on internal processes developed by the respective project team members. These internally developed processes were not always consistent with FTA and best business requirements. Additionally, there were instances where some of the project management processes were not documented. We noted in our review that the lack of formal project management policy contributed to a lot of the problems encountered in the early stages of the Light Rail Project which cumulated into the massive cost overruns. The Grantee indicated that upper management is currently working on defining the best practice criteria to be used in developing a formal organization wide project management policy.

The Grantee has not designated an overall project officer with the expertise to oversee major projects and with the authority to enforce compliance with project management best practices organization wide. Consequently, there have been inconsistencies in the management of different projects and the reporting of project information to stakeholders.

Currently, the different project management systems (e.g. Primavera Project Manager, Primavera Project Planner, Scheduler Analyzer Enterprise, and Microsoft Excel) are not integrated with the Grantee's PeopleSoft financial management system. In addition, the Grantee's management has to rely on excel spreadsheets and a lot of manual processes in order to obtain cost information across different projects. This process is not only extensive, but also increases the risk of manual errors.

SECTION II

Material Weaknesses (cont'd)

II.2 – Project Management Procedures (cont'd)

Discussion (cont'd)

The Grantee currently reports total cost to complete information for the light rail project every month to key stakeholders by querying cost information from the PeopleSoft general ledger into excel spreadsheets. However, the query does not always capture the total costs in the general ledger, resulting in differences between the general ledger cost and the cost reported to the stakeholders. The Grantee indicated that a consulting firm is currently helping in the process of reconciling the general ledger project cost to cost reported to the stakeholders. During the review, we compared the total project cost to date recorded in the PeopleSoft general ledger as of December 31, 2010 (\$256,808,061.24) to the total cost to date reported to the stakeholders (\$262,362,456) for the same period and noted a difference of \$5,554,395.

Grantee's Response

HRT is committed to continuously improving the delivery of projects within budget, on schedule, within scope and in such a way as to best contribute to accomplishing the agency's strategic mission. As an initial step towards this goal, Sibyl Pappas (Chief Environmental & Facilities Officer) was designated as the agency-wide project management executive to oversee major projects management, implement best practices, and enforce compliance of Federal and State regulations.

Within 120 days after issuance of this report, HRT plans to develop an initial project management policy and plans to develop and implement a Project Management Office. Members of this office will assist in the implementation of policies and procedures by providing leadership and support for projects. The Project Management Office will establish the structure required to standardize project management practices, maintain project portfolio management, and set up methodologies for repeatable workflows and processes.

As noted in the FMO review HRT has not taken full advantage of the capabilities of the Projects Module which is available in PeopleSoft. HRT issued an RFP on May 26, 2011 for a PeopleSoft Projects Functional Consultant. HRT has received and reviewed proposals from this RFP and expects to recommend an award by mid-July 2011.

On June 22, 2011, HRT issued the monthly Light Rail Project report to key Stakeholders (**Appendix II.2 – Item 1**) that clearly distinguishes HRT Expenditures for the project from the City of Norfolk contributions towards the project. Also, HRT is currently working with a consulting firm to reconcile the remaining variances between the cost report to PeopleSoft and make any correcting entries that are required. HRT expects to produce the monthly cost report due in August directly from information in PeopleSoft.

Evaluation of Grantee's Response

The Grantee has provided an adequate response. Progress toward implementing the corrective action will continue to be tracked up to 120 days after issuance of this report.

SECTION III

Significant Deficiencies

For purposes of this review, a significant deficiency is a deficiency, or combination of deficiencies, in internal control over a grantee's financial management system that is *less* severe than a material weakness, as defined in Section II, yet important enough to merit attention by those charged with governance.

The conditions and recommendations are provided below, with notation of the standard impacted, discussion of the significance of the condition, a summary of the Grantee's proposed corrective actions and evaluations thereof.

III.1 – Management Oversight of Key Grantee Operations

Condition

We noted the following weaknesses in the Grantee's control environment and risk assessment controls:

1. Management oversight over key operations (including FTA activities) needs to be improved by filling all the vacant critical positions on the organizational chart. Specifically, the in-house Legal Counsel and Internal Auditor positions were vacant during the audit period.
2. There were no formal requirements for employees and contractors with FTA related responsibilities to undergo periodic FTA training. For instance, employees and contractors with key project management responsibilities were not periodically trained on FTA and best practice project management requirements.

Standard(s) Impacted

49 CFR 18.40(a) Monitoring by grantees. Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.

FTA Circular 5010.1 D Chapter VI Section 2 (e)(1)(b) – The grantee's formal organization structure must clearly define, assign, and delegate appropriate authority for all duties.

FTA Circular 5010.1D, Chapter VI Section 2 (e)(1)(h) Internal Controls – All personnel must be properly qualified for their assigned responsibilities, duties, and functions. Education, training, experience, competence, and integrity should be considered in assigning work.

SECTION III

Significant Deficiencies (cont'd)

III.1 – Management Oversight of Key Grantee Operations (cont'd)

Recommendation

We recommend the Grantee:

- Continue with ongoing efforts and appoint in-house Legal Counsel and Internal Auditor to the vacant positions.
- Implement formal FTA training requirements for all employees and contractors with FTA related responsibilities.

This recommendation should be implemented within 90 days of the final report.

Discussion

The Grantee has a current organizational chart in place, dated January 28, 2011, which reflects the areas of responsibility and lines of reporting. However, the Internal Auditor and In-house Legal Counsel positions on the organizational chart were vacant. The Internal Audit and In-house Legal Counsel functions are necessary to ensure the management performs adequate oversight over the Grantee's operations (including FTA related activities). The Grantee informed us that interviews have been conducted for the in-house Legal Counsel position and a recommendation for appointment will be made to the May 2011 meeting of the Commission for the approval. The Grantee also indicated that they plan to fill the Internal Auditor position by July 1, 2011.

During the review, we noted that there was no formal requirement for employees with FTA grants related responsibilities to undertake periodic FTA training. We noted that though senior management members had detailed knowledge of FTA Regulations and grants requirements, some of the employees who perform day-to-day FTA related activities did not have the same level of insight and FTA training. This was also noted in the area of project management where we noted that employees and contractors with key project management responsibilities were not periodically trained on FTA and best practice project management requirements. The lack of adequate training for instance resulted in non compliance with key FTA reporting requirements such as cost to complete, percentage complete, and cost to budget reporting to stakeholders of the Light Rail Project. The lack of adequate training also impacted on the accuracy of coding of project costs for financial reporting as well as cost reporting to key project stakeholders.

Grantee's Response

HRT recognized an opportunity for annual cost savings of about \$500,000 annually on legal fees by hiring an in-house attorney. The Board announced the hiring of Brian K. Jackson who will start his position in July 2011.

SECTION III

Significant Deficiencies (cont'd)

III.1 – Management Oversight of Key Grantee Operations (cont'd)

Grantee's Response (cont'd)

Similarly, HRT understands the need for an Internal Auditor, as the internal audit function is critical to proactively review internal processes and make the necessary adjustments. Filling this critical position also requires a unique level of experience. A few qualified candidates are scheduled to have second interviews during the first two weeks of July. An Internal Auditor is expected to be on staff within 60 days thence.

To ensure that all employees with FTA grant-related responsibilities undertake periodic FTA training, at a minimum the Financial Management Oversight Seminar will be required annually for the applicable staff. In June 2011, 6 employees attended the FMO Seminar in Chicago and Virginia Beach. HRT's Finance and Procurement departments meet monthly to share knowledge base between employees. HRT will seek additional training opportunities from NTI and consult with peer agencies as well. Also, an agency-wide training plan will be developed within 45 days to outline training needs and schedules and ensure an on-going and periodic FTA training to all employees with FTA grants related responsibilities.

Evaluation of Grantee's Response

The Grantee has provided an adequate response. Progress toward implementing the corrective action will continue to be tracked up to 90 days after issuance of this report.

SECTION III

Significant Deficiencies (cont'd)

III.2 – Controls over FTA Funded Assets

Condition

We noted the following weaknesses in the Grantee's controls over FTA funded fixed assets:

1. The Grantee's fixed assets system does not capture all the details required by FTA. The details not captured include (a) use and condition, and (b) who holds title to the equipment including rolling stock.
2. The Grantee's controls over the monitoring and tracking of preventive maintenance (PM) were not adequate. Specifically, there were instances noted where PM was not performed timely, where PM mileage was not recorded or properly tracked, and where the Quality Assurance (QA)/Quality Control (QC) Supervisor did not review and sign off on PM records.

Standard(s) Impacted

49 CFR 18.32(d) requires that Grantees and sub Grantees must maintain a fixed asset control system providing detailed property records for assets acquired under a grant or subgrant, and including procedures to provide reasonable assurance that safeguards are present to prevent or detect unauthorized acquisition, use, or disposition of the property, and that maintenance procedures are implemented for such assets.

FTA Circular 5010.1D, Chapter IV Section 3 (k)(3) Project Property Management – Equipment records must be maintained by the grantee. Records must include:

- (a) a description of the asset,
- (b) identification number,
- (c) source of property (the grant project number under which it was procured),
- (d) acquisition date,
- (e) cost,
- (f) percentage of Federal participation in the cost,
- (g) location,
- (h) use and condition,
- (i) useful life,
- (j) any disposition data, including the date of disposal and sale price, or, where applicable, method used to determine its fair market value, and
- (k) who holds title to the equipment including rolling stock.

FTA Circular 5010.1D, Chapter IV Section 3 (m) Maintenance – The grantee agrees to maintain project property in good operating order and in compliance with any applicable Federal Regulations or directives that may be issued, except to the extent that FTA determines otherwise in writing.

SECTION III

Significant Deficiencies (cont'd)

III.2 – Controls over FTA Funded Assets (cont'd)

Recommendation

We recommend the Grantee:

- Include all fixed asset details required by FTA in the fixed assets system.
- Ensure effective monitoring and timely performance of preventive maintenance on FTA funded busses.

This recommendation should be implemented within 90 days of the final report.

Discussion

During our review of the fixed assets system, we noted that the system did not maintain detailed information on use and condition, as well as who holds title to the equipment including rolling stock. The Grantee informed us that they hold title to all FTA funded assets even though the title information is not recorded in the fixed assets system. The Grantee further indicated that going forward; management will identify fields in the fixed assets system to be used to record use and condition and title information for all FTA funded assets.

The Grantee has Preventive Maintenance Plans in place that require routine preventive maintenance to be performed on all FTA funded assets at most every 6000 miles. However, we noted during our review that preventive maintenance was not always tracked, performed on time, or reviewed by management. Specifically, we noted the following:

- Preventive maintenance was not performed timely for 13 out of the 15 sampled buses. These include Bus #4007, 1606, 1403, 1206, 1250, 1259, 1512, 1504, 1713, 1237, 1808, 2002, and 2015.
- Preventive maintenance mileage was either not recorded or tracked appropriately for 9 out of 15 sampled buses. These include Bus #1606, 1250, 1259, 1512, 1713, 1237, 1808, 2002, and 2015.
- Preventive maintenance performed for 4 out of 15 sampled buses were not reviewed and signed by the Quality Assurance (QA)/Quality Control (QC) Supervisor. These include Bus #1606, 1206, 1259, and 2002.

The Grantee informed us during the review that a management team will be formed to monitor preventive maintenance records going forward. Additionally, the Grantee plans to procure fleet management software in May 2011 to help track vehicle mileage on time.

SECTION III

Significant Deficiencies (cont'd)

III.2 – Controls over FTA Funded Assets (cont'd)

Grantee's Response

HRT understands the importance of capturing all the details required by FTA for fixed assets. In the Asset Management module, HRT has identified a place to put the title ownership, use, and condition of all FTA funded assets on the Asset Information page. The IT department is currently working on the development of each field based on the functional design specification document. IT expects to have all fields developed by July 28, 2011. Finance expects to have all updates tested and implemented by August 31, 2011.

FTA has made significant investments in HRT's bus fleet. The recent opening of the Southside Maintenance Facility will afford HRT the opportunity to take advantage of some of the state of the art maintenance services which could not be used before. There are a total of 17 bays at the new facility, which is a significant increase compared to the older facility. The additional bays and the aggressive training plan to train more mechanics to perform preventive maintenance as well as hiring four more bus maintenance supervisors will result in noticeable improvements in the timeliness of preventive maintenance on HRT's bus fleet.

To ensure effective monitoring and timely performance of preventive maintenance on FTA funded buses, HRT has developed a comprehensive action plan (**Appendix III.2 – Item 1**).

Evaluation of Grantee's Response

The Grantee has provided an adequate response. Progress toward implementing the corrective action will continue to be tracked up to 90 days after issuance of this report.

SECTION III

Significant Deficiencies (cont'd)

III.3 – Information Technology Controls over Financial and Grant Management Systems

Condition

We noted the following weaknesses in the Grantee's Information Technology controls over the PeopleSoft system used for financial processing, financial reporting and grants management. Specifically, we noted the following:

1. The Grantee does not have formal Information Technology Security Policies and Procedures.
2. The Grantee has not appointed an IT Security Officer with the overall responsibility of overseeing and enforcing security policies.
3. Regarding the Grantee's Access Control and Account Management process:
 - The Grantee does not have formal organizational wide password policy that addresses minimum password requirements including password length, password age, password history, complexity requirements, account threshold, and lockout duration.
 - There is no formal process in place for periodically reviewing and recertifying access to the PeopleSoft Financial System and its supporting infrastructure including Oracle, and remote access to the financial system and the server room.
 - There was no evidence that access to sensitive areas (Server Room and Money Room) were documented and authorized.
4. There is no formal process in place for periodic IT risk assessments, including vulnerability assessments of the Grantee's financial information systems.
5. Regarding the Grantee's disaster recovery controls over the PeopleSoft Financial System:
 - The backup storage site in Norfolk is not geographically separated from the primary processing site in Hampton.
 - There are no formal requirements for periodic testing of PeopleSoft backup tapes to ensure the integrity and availability of backed up tapes.
 - There is no formal disaster recovery plan for the PeopleSoft financial System.
6. There are no documented procedures in place to identify the audit events that are required to be logged in the financial systems. In addition, there are no requirements for periodic review of the logs for unusual/suspicious activity.
7. There is no evidence that testing of environmental controls was performed for the Uninterruptible Power Supply (UPS) system, Power Generator, Fire Suppression System, and Smoke Detectors for the Server Room during the review period.

SECTION III

Significant Deficiencies (cont'd)

III.3 – Information Technology Controls over Financial and Grant Management Systems (cont'd)

Standard(s) Impacted

49 CFR 18.20(b)(3) Internal Control. "Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets."

FTA Circular 5010.1 D Chapter VI Section 2 (e)(1)(e) – Written operating procedures must exist and be simply stated, yet meet the grantee's operating, legal, and regulatory requirements.

FTA Circular 5010.1 D Chapter VI Section 2 (b) – Grantees and subgrantees are responsible for establishing and maintaining adequate internal controls over all their functions that affect implementation of a grant.

FTA Circular 5010.1 D Chapter VI Section 2 (e)(2) – Internal Control Self-Assessment. The grantee should evaluate its internal control and financial management systems to ensure that it has effective internal controls and financial management systems.

FTA Circular 5010.1 D Chapter VI Section 2 (e)(1)(b) – The grantee's formal organization structure must clearly define, assign, and delegate appropriate authority for all duties.

Recommendation

We recommend the Grantee:

- Continue with ongoing efforts and implement formal Information Technology Security Policies and Procedures.
- Appoint an Information Security Officer (ISO) or Information Security Manager with the responsibility for developing and enforcing security policies.
- Implement password policies and procedures that cover password length, maximum password age, complexity requirements, password history, and account lockout.
- Develop procedures for periodically reviewing and recertifying PeopleSoft, Oracle, remote access, and server room access permissions.
- Implement standard forms for requesting and approving access to the sensitive areas (Server Room and Money Room).
- Develop a formal process for performing independent risk assessments including vulnerability assessments of the information systems. The risk assessment should be reviewed periodically to ensure that it continues to address changes in the Information Technology operating environment.
- Ensure that the weekly PeopleSoft backup tapes are rotated to an offsite location that is geographically separated from the Hampton and Norfolk primary locations.
- Develop procedures to require periodic testing of backup tapes for the financial system at least annually.

SECTION III

Significant Deficiencies (cont'd)

III.3 – Information Technology Controls over Financial and Grant Management Systems (cont'd)

Recommendation (cont'd)

- Develop a formal disaster recovery plan for the PeopleSoft financial System
- Develop procedures to identify the events that are required to be logged by the financial systems. The procedures should also establish requirements for periodically reviewing the logs for unusual/suspicious activity.
- Perform environmental controls testing for the Uninterruptible Power Supply (UPS) system, Power Generator, Fire Suppression System, and Smoke Detectors for the server room and document the results.

This recommendation should be implemented within 120 days of the final report.

Discussion

We noted during the review that the Grantee had not documented formal Information Technology Security Policies and Procedures. Such Policies and Procedures will outline the minimum IT controls required to ensure the confidentiality, integrity and availability of the Grantee's data. Consequently, evidence supporting most of the IT processes and practices performed by the Grantee could not be verified during the review. The Grantee is currently in the process of formalizing all the IT security processes and practices into a comprehensive policy.

The IT Services Department is headed by a Chief Information Officer (CIO) and to which each of the divisions report. Each application has an analyst that is in charge of security for that application and each administrator is responsible for securing their respective systems. However, there was no security officer or security manger appointed for the department that had the authority to develop and implement security policies and procedures.

The Grantee has implemented some password controls for the network and the PeopleSoft Financial system. However, there were no documented organizational wide policy that addresses minimum password requirements including password length, password age, password history, complexity requirements, account threshold, and lockout duration. We noted during the review that the Grantee is in the process of implementing new password policies. Failure to enforce password controls increases the risk that unauthorized persons could access the financial management system, which could potentially put FTA grant data at risk of inadvertent or deliberate disclosure, modification, or destruction possibly without detection.

The Grantee currently checks the access lists to the PeopleSoft financial system and the supporting infrastructure (Oracle and remote access) against the list of terminated employees from the human resources department to ensure that terminated employees and contractors are removed timely. However there is no formal process for periodic review of access privileges to identify existing employees and contractors who no longer require the access for their job functions. Additionally, the Grantee could not provide a system generated list of users with access to sensitive areas (i.e. server room and money room) during the review.

SECTION III

Significant Deficiencies (cont'd)

III.3 – Information Technology Controls over Financial and Grant Management Systems (cont'd)

Discussion (cont'd)

There was also no evidence that access to the sensitive areas were documented and authorized. When user accounts are not authorized or periodically recertified to ensure appropriateness of roles and privileges, the risk of users having unauthorized or unnecessary access rights increases. Consequently, the financial systems may be at increased risk of inappropriate modification or disclosure of critical FTA grant data.

There are no formal procedures in place requiring periodic risk assessments to be performed at an organizationally defined frequency. Currently, the Grantee's system administrators assess risks informally for the different systems they manage. The IT team also monitors network activity and risks through the use of network monitoring tools including firewall and intrusion detection. However, the different components of the risk assessment processes are not combined, formalized or documented to assess the overall level of risk to the entire information technology operating environment. There is also no documented formal process of performing periodic vulnerability of the Grantee's financial system. A risk assessment process needs to be documented and updated periodically and whenever there are changes to the grantee's information technology operating environment. Currently, the Grantee is in the process of migrating the PeopleSoft financial system to a newer version, but the overall risk of the migration has not been formally documented. Risk Assessments are important because they help make certain that all threats and vulnerabilities are identified and considered, that the greatest risks are addressed, and that appropriate decisions are made regarding which risks to be accepted and which to be mitigated through security controls.

The Grantee performs daily backups of PeopleSoft Financial data and weekly backup tapes from the Norfolk and Hampton facilities are rotated between the two Grantee facilities. However, the two facilities are within the same geographical area (approximately 17 miles apart) and could be subject to the same disaster. The Grantee indicated during the review that the issue was noted by management when an assessment was performed years ago but the resolution was not implemented due to lack of funding problem.

The Grantee has a draft IT disaster recovery plan in place that covers the recovery of the IT infrastructure. However, there was no evidence that a formal disaster recovery plan has been developed for the PeopleSoft financial System. Additionally, there were no formal requirements for periodic testing of PeopleSoft backup tapes to ensure the data would be available in the event of a disaster. The Grantee indicated during the review that backup tapes are recovered and tested successfully as and when they become necessary but the results are not documented. The Grantee added that the process will be documented as part of the ongoing formalization of IT security policies and procedures. Failure to document and periodically test a formal disaster recovery plan increases the risk of failure to protect the continuing performance of core business functions and services, which could potentially put the Grantee and FTA grant data at risk in the event of a disruption to operations.

SECTION III

Significant Deficiencies (cont'd)

III.3 – Information Technology Controls over Financial and Grant Management Systems (cont'd)

Discussion (cont'd)

Currently, the PeopleSoft Financial system only logs the last system activity performed by a user. The log overwrites all prior activities performed by the user, which does not allow the Grantee to track historical activities performed by users. The grantee currently reviews access activity on an ad-hoc basis. There are no procedures in place to identify the events that are required to be logged. Furthermore, there are no requirements for periodic review of the logs for unusual/suspicious activity. Failure to maintain and review audit trail logs increases the risk that the Grantee might not be able to identify and investigate unauthorized, unusual and sensitive FTA grant access activity.

The Grantee indicated during the review that periodic environmental controls testing were performed for the Uninterruptible Power Supply (UPS) system, Power Generator, Fire Suppression System, and Smoke Detectors for the server room. However, the Grantee did not provide evidence to show that the tests were actually performed. Failure to perform periodic environmental controls testing increases the risk that the critical servers and systems that support the PeopleSoft Financial system might not be adequately protected which could potentially put the Grantee and FTA grant data at risk.

Grantee's Response

HRT's Information Technology Department is aggressively pursuing solutions to the weaknesses addressed in the FMO Review as it relates to IT Controls over Financial and Grant Management Systems. Several of the weaknesses noted required HRT to formalize Policies and Procedures over several areas including: passwords, access to the PeopleSoft system, access to sensitive areas, and various risk assessments that relate to potential threats and vulnerabilities to the systems.

As a result of manpower concerns for addressing all weaknesses within the 120 days referenced in the FMO Review, HRT plans to solicit consultant assistance by preparing RFPs (Request for Proposals) for some of the areas noted in the review, while HRT staff will correct the deficiencies in other areas.

HRT has developed a comprehensive action plan to address the cited recommendations (**Appendix III.3 – Item 1**).

Evaluation of Grantee's Response

The Grantee has provided an adequate response. Progress toward implementing the corrective action will continue to be tracked up to 120 days after issuance of this report.

SECTION III

Significant Deficiencies (cont'd)

III.4 – Monitoring and Self-Assessments of Internal Controls

Condition

The Grantee does not have an independent internal audit function with the responsibility of evaluating the design adequacy and effectiveness of internal controls. In addition, there are no processes in place to perform periodic self-assessment of internal controls or to document and track the status of corrective actions.

Standard(s) Impacted

49 CFR 18.40(a) Monitoring by grantees. Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.

FTA Circular 5010.1 D Chapter VI Section 2 (e)(1)(g) – Standards of Internal Control and Audit Resolutions. The grantee must provide proper supervision and performance must be subject to review of an effective internal audit program.

FTA Circular 5010.1 D Chapter VI Section 2 (e)(2) – Internal Control Self-Assessment. The grantee should evaluate its internal control and financial management systems to ensure that it has effective internal controls and financial management systems.

FTA Circular 5010.1 D Chapter VI Section 8 (d) – Resolution of Audit Finding. Grantees and subgrantees are responsible for prompt resolution of all audit findings and recommendations. This responsibility requires that the grantee:

- (1) Promptly evaluate the report;
- (2) Determine the appropriate follow-up actions and establish a date for their completion; and
- (3) Complete all required actions within the established period of time.

Recommendation

We recommend the Grantee:

- Continue with ongoing efforts to appoint an internal auditor with the responsibility of evaluating the design, adequacy and effectiveness of internal controls.
- Perform periodic internal control Self-Assessments to evaluate its internal controls and financial management systems.
- Implement corrective action plans to document and track findings from all FTA related reviews.

This recommendation should be implemented within 90 days of the final report.

SECTION III

Significant Deficiencies (cont'd)

III.4 – Monitoring and Self-Assessments of Internal Controls (cont'd)

Discussion

We noted during the review that the Grantee did not have an internal audit function in place with the appropriate authority and oversight responsibility. The Grantee indicated during the review that HRT's Commission has approved the budget for the appointment of an Internal Auditor for fiscal year 2012, which starts from July 1, 2011.

We also noted during the review that the Grantee currently does not perform any internal control self-assessments to evaluate the adequacy of its internal controls. The Grantee indicated that this weakness has already been noted by management and it will be addressed with the appointment of an Internal Auditor in fiscal year 2012.

Additionally, there was no evidence that corrective actions that resulted from findings noted in prior reviews and audits were documented and tracked. We noted during the review that the Grantee had documented a corrective action plan for resolving the findings noted in the Virginia Department of Transportation Office of Inspector General Investigative Report. However, there was no documented evidence that the Grantee has a formal documented corrective action plan for tracking the resolution of findings noted in all reviews and audits including CAFR, Single Audits, FTA Triennial Reviews, FTA Procurement Reviews, and FMO reviews. Without adequate tracking of findings, there is the potential that findings related to controls over FTA grant activities will not be resolved timely.

Grantee's Response

HRT has hired an in-house attorney and is in the final selection phases for hiring an Internal Auditor (see Grantee's Response III.1). In the interim, HRT continues to conduct unannounced audits on some critical areas such as Petty Cash and Daily Revenue Reconciliation, and periodically reviews procedures to ensure adequate segregation of duties.

Henry Li, Chief Financial Officer has been responsible for leading a team to aggressively and relentlessly address over 50 deficiencies and/or findings resulting from various reviews. HRT has tracking mechanisms in place for all FTA Related and State Reviews including: FMO Review, FTA Procurement Review, DRPT Compliance Audit, and the VDOT OIG Review. Each tracking mechanism is reviewed at least monthly. (**Appendix Section II.1 – Items 1-4**)

Evaluation of Grantee's Response

The Grantee has provided an adequate response. Progress toward implementing the corrective action will continue to be tracked up to 90 days after issuance of this report.

SECTION III

Significant Deficiencies (cont'd)

III.5 – Timely Submission of Federal Reports

Condition

HRT did not submit its Single Audit reporting package or National Transit Database report timely.

Standard(s) Impacted

49 CFR 18.20(b)(1) Financial Reporting – Grantees must have procedures to provide reasonable assurance that "accurate, current, and complete disclosure of the financial results of financially assisted activities [are] made in accordance with the financial reporting requirements of the grant or subgrant."

Recommendation

The Grantee should implement procedures to ensure all required filing deadlines are met timely. This recommendation should be implemented within 30 days.

Discussion

The Single Audit reporting package is comprised of a grantee's (or auditee's) final audited financial statements, final single audit report, corrective action plan (if applicable), and completed Data Collection Form ("DCF"). The package must be transmitted electronically via the Federal Audit Clearinghouse's website within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the auditee's fiscal year end date. For HRT's June 30, 2010 fiscal year, the Single Audit package was due no later than March 31, 2011. While HRT's single audit was finalized and the draft DCF was prepared, the completed package was not transmitted to the Clearinghouse by the established due date.

The National Transit Database ("NTD") is the primary source for information and statistics on the transit industry in the United States. Recipients or beneficiaries of FTA grants under the Urbanized Area Formula Program (Section 5307) or Other than Urbanized Area Formula Program (Section 5311) are required by statute to submit data to the NTD through its Internet-based reporting system. A complete report including all transit service using funds from Section 5307, Section 5311, other Federal programs, state, local, or private funding must be filed annually within 120 days after the end of a reporting entity's fiscal year end date. For HRT, this deadline was October 30, 2010. A one-month extension was granted by the FTA; however, HRT did not transmit the NTD report until December 2010.

Grantee's Response

HRT acknowledges that it has requested a one-month extension for filing the NTD in the past. As stated in the discussion above, the FY10 submission was granted a one-month extension through November 30, 2010.

SECTION III

Significant Deficiencies (cont'd)

III.5 – Timely Submission of Federal Reports (cont'd)

Grantee's Response (cont'd)

HRT submitted the NTD report on December 9, 2010, as evidenced by the NTD website.
(Appendix III.5 – Item 1)

HRT is implementing steps (see Section VII) to ensure that the annual Single Audit and NTD reporting requirements are met timely each year.

Evaluation of Grantee's Response

The Grantee has provided an adequate response. Progress toward implementing the corrective action will continue to be tracked up to 30 days after issuance of this report.

SECTION III

Significant Deficiencies (cont'd)

III.6 – Time Reporting

Condition

Instances were noted where timesheets for salaries that were charged to FTA grants were not approved. In addition, time of administrative personnel has been charged to FTA grants for Project Administration. However, there is no indication that a formal process is in place to determine what time is directly identifiable and chargeable to a specific FTA project.

Standard(s) Impacted

49 CFR 18.20(b)(5) Allowable Cost. Grantees must have procedures to provide reasonable assurance that “Applicable OMB cost principles [i.e. [Circular A-87](#), which is incorporated within [49 CFR 18.22](#)], agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs.” If indirect costs are being charged to the grant, Grantees must prepare a cost allocation plan that is approved by its cognizant agency.

OMB Circular A-87, Attachment B – Selected Items of Cost, Item 8h(4) – “Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5).” Subsection (5) requires that personnel activity reports or equivalent documentation be signed by the employee.

Recommendation

We recommend that the Grantee implement a process whereby employees charging time to FTA grants submit timesheets that are approved and signed. We also suggest HRT develop a formal process for identifying what time is chargeable to a specific FTA project.

This recommendation should be implemented within 30 days of the final report.

Discussion

During our review of payroll and cash/grant management, we examined timesheets and other support for salaries of employees charged to Federal grants. In 12 instances, we noted that timesheets were submitted outlining the amount of time an individual charged to a particular grant either to a capital project cost or to program administration. However, for such timesheets there was no indication of supervisory approval.

In addition, HRT could not clearly explain how an individuals’ time was determined to be eligible to be charged to a particular grant. Specifically for administrative personnel charged to operating assistance, HRT does not have a documented cost allocation plan or methodology for allocating administrative costs across grants.

SECTION III

Significant Deficiencies (cont'd)

III.6 – Time Reporting (cont'd)

Grantee's Response

HRT has updated the policies and procedures (**Appendix III.6 – Appendix Item I**) to outline the responsibility of the Employee and Supervisor for the accurate completion, submission, review and approval of all administrative staff time sheets. The policy also includes an additional level of review prior to any time being charged to a grant, no matter the funding source.

HRT will develop a formal process for identifying what time is chargeable to a specific FTA project within the recommended timeframe.

Evaluation of Grantee's Response

The Grantee has provided an adequate response. Progress toward implementing the corrective action will continue to be tracked up to 30 days after issuance of this report.

SECTION IV

Advisory Comments

For purposes of this review, an advisory comment represents a minor control deficiency in the design or operation of the financial management system that is not significant enough to adversely affect the Grantee's ability to record, process, summarize, and report financial and related data consistent with the requirements of [49 CFR 18.20](#).

The advisory comments presented in this section represent matters that came to our attention during the course of the review, and are offered to HRT's management as opportunities for improvement. These comments are provided along with recommendations and discussion of the significance of the comments.

IV.1 – Disposal of Fixed Assets

Condition

The Grantee's procedures on the disposal of fixed assets (including FTA funded fixed assets) does not require the determination of independent fair market values before disposals are made. Consequently, independent fair market values were not documented for all the FTA funded assets disposed in 2010.

Recommendation

We recommend that the Grantee update the procedures on the disposal of FTA funded fixed assets to require the determination of independent fair market values before disposals are made.

Discussion

The Grantee has a Fixed Assets Disposal Policy in place that document procedures for disposing fixed assets (including FTA funded assets). The Grantee currently only disposes FTA funded assets through public auctions only after they have exceeded their useful lives. The Grantee also has an agreement with an Auctioneer who performs the public auctions by giving 45 days notice and putting advertising via the internet, flyers and e-mails. However, the procedures in the Fixed Assets Disposal Policy do not require the determination of independent fair market values before disposals are made. We inspected the list of all FTA funded assets disposed in 2010 and noted that independent fair market values were not determined prior to the disposals. We also noted that the proceeds realized for each disposed asset was less than \$5000. The determination of fair market value prior to disposal will enable the Grantee to document the appropriate rolling stock status report when the Grantee is disposing of vehicles that have met the minimum useful life and have a fair market value greater than \$5,000.

SECTION IV

Advisory Comments (cont'd)

IV.1 – Disposal of Fixed Assets (cont'd)

Grantee's Response

HRT has revised and updated its procedures (**Appendix IV.1 – Item 1**) on the disposal of fixed assets (including FTA funded fixed assets) to include the requirement that prior to disposal fixed assets shall be valued using independent fair market values through valuation guides such as “Bus Blue Book Guide” (www.bussolutions.com) and assigned to each asset prior to disposal.

Evaluation of Grantee's Response

The Grantee has provided an adequate response.

IV.2 – Budget Monitoring Practices

Condition

The Commission does not formally approve HRT's Capital Budget. In addition, HRT does not have a threshold for reporting line item operating budget variances to the Commission.

Recommendation

We recommend HRT present its Capital Budget to the Commission for approval on an annual basis. HRT should also identify a standard threshold against which budget-to-actual results can be measured and communicated to the Commission. Standard criteria should be established that would be used as a guide for explaining variances.

Discussion

Currently, the Commission approves HRT's Operating Budget which commits a certain level of capital funding to reimburse operations for preventive maintenance and ADA operating expenditures, and Procurements and contracts over a certain level, which includes those funded with capital funds. However, although a Capital Budget is prepared and outlined in HRT's Transportation Improvement Plan (“TIP”), the Commission does not approve the Capital Budget annually. Without such a submission and or approval of the Capital Budget, the Commission may not be fully aware of all capital funding and thus all capital activity may not be fully disclosed or discussed during the monthly meeting.

HRT also does not have a threshold for reporting line item variances to the Commission.

SECTION IV

Advisory Comments (cont'd)

IV.2 – Budget Monitoring Practices (cont'd)

Grantee's Response

As referenced in the discussion above, HRT utilizes capital funds to reimburse operations for preventive maintenance and ADA operating expenditures, and procurements and contracts over a certain level. With the use of capital funds for operating expenses, HRT has not established a robust long-term capital program, with the exception of seeking funding for a limited number of projects on a year-to-year basis.

With recent growth as an agency and the changes in senior leadership it quickly became evident that HRT would benefit from a more aggressive long-term capital and operating program. This focused approach involves partnering with transit industry knowledgeable consultants and completing a Transit Development Plan (TDP) which includes a more in-depth analysis and development of a capital and operating program. The TDP is required by the Virginia Department of State and Public Transit and will improve HRT's efficiency and effectiveness by identifying the need and required resources for modifying and enhancing services provided to the general public. HRT is currently working on the TDP and it will be completed by the end of 2011.

In support of HRT's efforts to be a more transparent agency – the TDP, including the capital budget, will be submitted for review to the Transportation District Commission of Hampton Roads, HRT's Board of Commissioners, as it is developed over the summer and fall of 2011. The TDP, which will include the six year capital plan, is scheduled to be adopted by the Commission prior to the December 1st deadline as set forth in the TDP requirements. While adoption of the TDP does not commit the Commission to funding a fixed list of projects, it does provide a framework for how HRT's capital funds should be used and ensures stakeholders are aware of upcoming capital projects. An update to the TDP will be required on an annual basis, and will include a submission of the capital budget to the Commission as outlined in the Advisory Comments.

All major stakeholders have to closely monitor current expense activity in order to make informed management decisions for future operating and capital needs. HRT has identified and determined a standard threshold for measuring and communicating budget-to-actual variances to the Commission. In order to efficiently present this analytical information to the Commission the tolerance levels for Budget to Actual variances will be categorized in two broad categories: Low-Risk and Moderate to High Risk.

Evaluation of Grantee's Response

The Grantee has provided an adequate response.

SECTION IV

Advisory Comments (cont'd)

IV.3 – Documentation of Process for Allocating Grant Expenditures

Condition

The Grantee's methodology for allocating project expenditures amongst various grants and funding sources is not clearly documented in any set of policies or procedures.

Recommendation

We recommend HRT document its process for determining which eligible project costs get charged to its Federal grants.

Discussion

HRT has a complicated methodology for allocating capital project expenditures amongst various funding sources. During our review, we reviewed approximately 100 disbursements made by HRT during the period January 1, 2010 through December 31, 2010 that were wholly or partially funded by FTA grants. We noted that for costs associated with HRT's light rail project ("the Tide" or "LRT") amounts were allocated across various grants that funded the project. Specifically, Grant #VA-03-0107 was the initial, Full Funding Grant Agreement ("FFGA"), and certain vendor invoices were charged anywhere from 52% to 70% to this grant. Other grants funding the LRT included #VA-66-X004, #VA-95-X001, #VA-95-X063 and #VA-95-X064, are collectively known as Concurrent Non-FFGA ("CNFA") sources, and these were charged the remaining Federal portion.

We received numerous copies of emails and spreadsheets discussing the FFGA/CNFA allocations and demonstrating the ratio calculations. However, none of this information provided a clear mapping of why or how HRT went through this process. Further, while attempting to follow HRT's methodology we could not re-perform the calculations for our sample of disbursements. We were assured by HRT management that the individual(s) responsible for assigning costs to the various grants was aware of the process.

While we did not find that any particular cost was over-charged to any of the FTA grants, it would behoove HRT to ensure this complicated process is made less cumbersome and also documented in the event of turnover in key positions of individuals who are informally aware of the process.

Grantee's Response

Allocating capital expenditures for the various projects can be challenging. HRT's preference is to fully implement and use the Grants, Contracts, and Projects Modules within PeopleSoft to track capital project funding sources. However, HRT is using a customized older version of PeopleSoft which has made upgrading to the most recent version of PeopleSoft complicated. Despite these complications, HRT issued three RFPs on May 26, 2011 for functional PeopleSoft consultants for the Grants, Contracts and Projects Modules.

SECTION IV

Advisory Comments (cont'd)

IV.3 – Documentation of Process for Allocating Grant Expenditures (cont'd)

Grantee's Response (cont'd)

The deliverables of each is to get an assessment on how HRT can use the three modules to more efficiently allocate capital project expenditures.

HRT's methodology for allocating capital expenditures changed within the last three years in an effort to improve the tracking of reimbursements due from our funding partners (FTA, Department of Rail & Public Transportation (DRPT) and the seven local cities we serve). This improvement would also insure that all funding was secured prior to project expenditures taking place.

Prior to FY08 all expenditures were recorded in the ledgers at 100% and reconciliations outside of the People Soft system were used to identify the non-federal reimbursement funding sources. From FY09 to current, HRT uses a Project Funding Crosswalk and the PeopleSoft system collectively to track project funding.

Evaluation of Grantee's Response

The Grantee has provided an adequate response.

SECTION V
Summary of Findings

Finding Reference	Finding	Standards Impacted	Recommendation	Corrective Action Implementation Date
II.1	Deficiencies from Prior Reviews	<p><i>49 CFR 18.20(b)(1-7) – Standards for Financial Management Systems</i></p> <p><i>49 CFR 18.30 – Project Change Accounting</i></p> <p><i>49 CFR 18.32(d) Equipment – Management Requirements</i></p> <p><i>FTA Circular 4220.1F, Third Party Contracting Guidance</i></p> <p><i>FTA Circular 5010.1 D, Grant Management Requirements</i></p> <p><i>FTA Circular 9030.1 D, Urbanized Area Formula Program</i></p>	<p>The Grantee should continue its efforts to address the conditions cited in the VA DOT and FTA procurement reports.</p>	180 days after receipt of final report.
II.2	Project Management Procedures	<p><i>49 CFR 18.20(b)(1) Financial Reporting</i></p> <p><i>49 CFR 18.20(b)(3) Internal Control</i></p> <p><i>FTA Circular 5010.1 D, Chapter VI Section 2 (e)(1)</i></p>	<p>We recommend the Grantee:</p> <ul style="list-style-type: none"> • Develop formal organization wide Project Management Policy to include best practice processes for managing and executing all projects. • Designate an overall project officer with the expertise to oversee major projects and with the authority to enforce compliance with project management best practices organization wide. 	120 days after receipt of final report.

SECTION V

Summary of Findings (cont'd)

Finding Reference	Finding	Standards Impacted	Recommendation	Corrective Action Implementation Date
II.2	Project Management Procedures		<ul style="list-style-type: none"> Consider employing the PeopleSoft Projects module to streamline the management of all projects and integrate them with the General Ledger. Reconcile the Light Rail Project cost to the PeopleSoft General Ledger 	
III.1	Management Oversight of Key Grantee Operations	<p><i>49 CFR 18.40(a) Monitoring by Grantees</i></p> <p><i>FTA Circular 5010.1 D, Chapter VI Section 2 (e)(1)</i></p>	<p>We recommend the Grantee:</p> <ul style="list-style-type: none"> Continue with ongoing efforts and appoint in-house Legal Counsel and Internal Auditor to the vacant positions. Implement formal FTA training requirements for all employees and contractors with FTA related responsibilities. 	90 days after receipt of final report.
III.2	Controls over FTA Funded Assets	<p><i>49 CFR 18.32(d) Equipment – Management Requirements</i></p> <p><i>FTA Circular 5010.1D, Chapter IV Section 3 (k)(3) Project Property Management</i></p> <p><i>FTA Circular 5010.1D, Chapter IV Section 3 (m) Maintenance</i></p>	<p>We recommend the Grantee:</p> <ul style="list-style-type: none"> Include all fixed asset details required by the FTA in the fixed assets system. Ensure effective monitoring and timely performance of preventive maintenance on FTA funded buses. 	90 days after receipt of final report.

SECTION V

Summary of Findings (cont'd)

Finding Reference	Finding	Standards Impacted	Recommendation	Corrective Action Implementation Date
III.3	Information Technology Controls over Financial and Grant Management Systems	<p><i>49 CFR 18.20(b)(3) Internal Control</i></p> <p><i>FTA Circular 5010.1 D Chapter VI Section 2 (e)(1)(e)</i></p> <p><i>FTA Circular 5010.1 D Chapter VI Section 2 (b)</i></p> <p><i>FTA Circular 5010.1 D Chapter VI Section 2 (e)(2)</i></p> <p><i>FTA Circular 5010.1 D Chapter VI Section 2 (e)(1)(b)</i></p> <p><i>FTA Circular 5010.1 D Chapter VI Section 2 (e)(1)(b)</i></p>	<p>We recommend the Grantee:</p> <ul style="list-style-type: none"> • Continue with ongoing efforts and implement formal IT Security Policies and Procedures. • Appoint an ISO or Information Security Manager with the responsibility for developing and enforcing security policies. • Implement password policies and procedures that cover password length, maximum password age, complexity requirements, password history, and account lockout. • Develop procedures for periodically reviewing and recertifying PeopleSoft, Oracle, remote access, and server room access permissions. • Implement standard forms for requesting and approving access to the sensitive areas (Server Room and Money Room). • Develop a formal process for performing independent risk assessments including vulnerability assessments of the information systems. The risk assessment should be reviewed periodically to ensure that it continues to address changes in the IT operating environment. 	120 days after receipt of final report.

SECTION V

Summary of Findings (cont'd)

III.3	Information Technology Controls over Financial and Grant Management Systems		<ul style="list-style-type: none">• Ensure that the weekly PeopleSoft backup tapes are rotated to an offsite location that is geographically separated from the Hampton and Norfolk primary locations.• Develop procedures to require periodic testing of backup tapes for the financial system at least annually.• Develop a formal disaster recovery plan for the PeopleSoft financial System• Develop procedures to identify the events that are required to be logged by the financial systems. The procedures should also establish requirements for periodically reviewing the logs for unusual/suspicious activity.• Perform environmental controls testing for the Uninterruptible Power Supply (UPS) system, Power Generator, Fire Suppression System, and Smoke Detectors for the server room and document the results.	
III.4	Monitoring and Self-Assessments of Internal Controls	<p><i>49 CFR 18.40(a) Monitoring by Grantees</i></p> <p><i>FTA Circular 5010.1 D, Chapter VI Section 2 (e)(1)(g)</i></p> <p><i>FTA Circular 5010.1 D, Chapter VI Section 2 (e)(2)</i></p>	<p>We recommend the Grantee:</p> <ul style="list-style-type: none">• Continue with ongoing efforts to appoint an internal auditor with the responsibility of evaluating the design, adequacy and effectiveness of internal controls.	90 days after receipt of final report.

SECTION V

Summary of Findings (cont'd)

III.4	Monitoring and Self-Assessments of Internal Controls	<i>FTA Circular 5010.1 D, Chapter VI Section 8 (d)</i>	<ul style="list-style-type: none"> • Perform periodic internal control Self-Assessments to evaluate its internal controls and financial management systems. • Implement corrective action plans to document and track findings from all FTA related reviews. 	
III.5	Timely Submission of Federal Reports	<i>49 CFR 18.20(b)(1) Financial Reporting</i>	The Grantee should implement procedures to ensure all required filing deadlines are met timely.	30 days after receipt of final report.
III.6	Time Reporting	<i>49 CFR 18.20 (b)(5) Allowable Cost OMB Circular A-87, Attachment B – Selected Items of Cost, Item 8h(4)</i>	<p>We recommend that the Grantee implement a process whereby employees charging time to FTA grants submit timesheets that are approved and signed.</p> <p>The Grantee should also develop a formal process for identifying what time is chargeable to a specific FTA project.</p>	30 days after receipt of final report.
IV.1	Disposal of Fixed Assets	N/A	We recommend that the Grantee update the procedures on the disposal of FTA funded fixed assets to require the determination of independent fair market values before disposals are made.	N/A

SECTION V
Summary of Findings (cont'd)

Finding Reference	Finding	Standards Impacted	Recommendation	Corrective Action Implementation Date
IV.2	Budget Monitoring Process	N/A	We recommend HRT present its Capital Budget to the Commission for approval on an annual basis. HRT should also identify a standard threshold against which budget-to-actual results can be measured and communicated to the Commission.	N/A
IV.3	Documentation of Process for Allocating Grant Expenditures	N/A	We recommend HRT document its process for determining which eligible project costs get charged to its Federal grants.	N/A

SECTION VI

Criteria Established By The FTA For Grantees' Financial Management Systems

The following criteria have been set forth by the Federal Transit Administration (FTA) as standards for the financial management systems of FTA Grantees. Unless otherwise noted, these criteria are drawn from [49 CFR 18](#). "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments" (Common Rule), Section [18.20](#), "Standards for Financial Management Systems." Additional guidance for applying many of these criteria is provided in various circulars issued by the FTA, U.S. Department of Treasury, and the Office of Management of Budget (OMB).

[18.20\(b\)\(1\)](#), *Financial Reporting*. Grantees must have procedures to provide reasonable assurance that "accurate, current, and complete disclosure of the financial results of financially assisted activities [are] made in accordance with the financial reporting requirements of the grant or subgrant."

[18.20\(b\)\(2\)](#), *Accounting Records*. "Grantees and sub Grantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income." The Grantee's project financial accounting system must interface with the Grantee's overall financial management system.

[18.20\(b\)\(3\)](#), *Internal Control*. "Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets." Specifically with respect to fixed asset records, [49 CFR 18.32\(d\)](#), requires that Grantees and sub Grantees must maintain a fixed asset control system providing detailed property records for assets acquired under a grant or subgrant, and including procedures to provide reasonable assurance that safeguards are present to prevent or detect unauthorized acquisition, use, or disposition of the property, and that maintenance procedures are implemented for such assets.

[18.20\(b\)\(4\)](#), *Budget Control*. "Actual expenditures or outlays must be compared with budgeted amount for each grant or subgrant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or subgrant agreement."

SECTION VI

Criteria Established By The FTA For Grantees' Financial Management Systems (cont'd)

18.20(b)(5), Allowable Cost. Grantees must have procedures to provide reasonable assurance that "Applicable OMB cost principles [i.e. [Circular A-87](#), which is incorporated within [49 CFR 18.22](#)], agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs." If indirect costs are being charged to the grant, Grantees must prepare a cost allocation plan that is approved by its cognizant agency.

18.20(b)(6), Source Documentation. "Accounting records must be supported by such source documentation as canceled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc."

18.20(b)(7), Cash Management. "Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by Grantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on Subgrantee's cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the Grantee must make draw downs as close as possible to the time of making disbursements. Grantees must monitor cash draw downs by their sub Grantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the Grantees."

18.30, Project Change Accounting. The Grantee's project financial accounting system must be able to document and track project changes that result in the need for additional funds, a revision in the scope or objectives of the project, or a need to extend the period of availability of funds or any other changes or budgetary transfers which would require the prior written approval of the FTA.

SECTION VII

Grantee's Response to Findings and Advisory Comments (Full Text)

FTA's Region III office furnished a draft of this report to Hampton Roads Transit on June 8, 2011 with a request for the Grantee to respond to the conditions and comments. The Grantee's responses were received on July 8, 2011. Summaries of these responses are included with the related conditions and comments in previous sections of this report. The full text of the response is provided on the following pages.

II.1 – Deficiencies from Prior Reviews

Grantee's Response

HRT has made significant progress on addressing the deficiencies from the Other Reviews/Audits. Updates for each of the other reviews: VDOT OIG Review, FTA Procurement Systems Review, and DRPT Compliance Review are detailed below.

VDOT OIG Review

As noted HRT launched Mission 31/90 to address the 31 areas of concern as identified by the VDOT OIG review team. HRT created the Progress Matrix (**Appendix II.1 – Item 1**) for tracking progress and took initial action steps on each of the 31 items within the 90 day period. The current status of the 31 items can be summarized as follows:

Status	# Items	Light Rail	Procurement	Revenue Mgmt.	Financial Mgmt.	IT	Organizational Structure	Total
Completed	13							13
Substantially Completed		1*	4 **				1***	6
Completed: Periodic Follow-up Required				1				1
In Progress				7	2	2		11
Total	13	1	4	8	2	2	1	31

**Pending Project Completion
** Pending Final Update to the Procurement Policy Due 09/01/2011
*** Pending Internal Auditor selection*

Procurement System Review (PSR)

In the Final Report of FTA's Procurement System Review (PSR) dated May 20, 2011, HRT was required to develop policies and procedures as well as establish management controls **within one month** for 23 out of 24 deficiencies identified. June 20, 2011 marked the milestone date to rectify these 23 deficiencies. As a result of agency-wide relentless and aggressive teamwork during those 30 days, HRT successfully met this critical milestone date. As a result:

1. HRT's new Procurement Procedure Manual (PPM) was revised as of 6/20/2011, which has incorporated updated improvements as recommended in the PSR Final Report based on FTA's Best Practices Procurement Manual and compliance features from the FTA Circular 4220.1F.
2. HRT developed the 2011 Procurement System Review Correction Action Tracking Matrix, which is our working document to identify, correct and track the deficiencies noted and the course of actions taken. (**Appendix II.1 – Item 2**)

The final phase of updates to HRT's Procurement Procedure Manual will be completed by September 1, 2011.

Also, we recently received feedback from the review team for the PSR that HRT's submission "was a good response". The reviewer also noted that "HRT has done a lot of work to come into compliance." HRT will continue to train employees on the new procedures and follow the Correction Action Tracking Matrix to ensure compliance.

DRPT Compliance Audit

The Virginia Department of Rail and Public Transportation (DRPT) issued the results of the Compliance review on December 22, 2010. DRPT noted seven (7) compliance findings from this review. HRT has established a tracking matrix (**Appendix II.1 – Item 3**) to monitor compliance for those findings. Process improvements at both HRT and DRPT have resolved three of the seven findings. Those findings were:

1. Funds Received from DRPT in Advance;
2. Funds Received from FTA in advance, and
3. Lack of supporting documentation.

DRPT now requires copies of the checks proving that payment has been made to the vendor. Consequently, HRT cannot request reimbursement without proof that the vendor has been paid. Also, the review of supporting documentation at DRPT and HRT is more detailed. DRPT's internal audit staff also provides feedback on the level of supporting documentation provided when a grantee seeks reimbursement.

HRT's draw process has been modified where the Accounts Payable department receives an itemized listing by invoice number of the items included in a draw; AP also receives notification of when the funds are received in the bank. Accounts Payable ensures that all invoices on the itemized listing are paid within the three day rule as required by FTA. Once the vendor is paid, HRT then submits for the state portions if applicable.

In conjunction with findings from the other reviews, HRT has modified several processes to address the remaining four (4) findings from the DRPT compliance review:

1. Inadequate System of Controls used to Safeguard Capital Assets
2. Lack of Supporting Documentation for Operating assistance Final Eligibility Report
3. Inadequate Cash Management Practices
4. National Transit Database Information Submitted Late

FMO Review

As with the other reviews, HRT has developed a tracking matrix to monitor process for compliance of the findings in the FMO review. (**Appendix II.1 – Item 4**) Each department also has individualized tracking matrices as well which will be discussed in other responses within this document.

Overall, HRT has tracking mechanisms in place for all FTA and State Related Reviews including: FMO Review, FTA Procurement Review, DRPT Compliance Audit, and the VDOT OIG Review. Each tracking mechanism is reviewed at least monthly. (**Appendix Section II.1 – Items 1-4**)

II.2 – Project Management Procedures

Grantee's Response

HRT is committed to continuously improving the delivery of projects within budget, on schedule, within scope and in such a way as to best contribute to accomplishing the agency's strategic mission. As an initial step towards this goal, Sibyl Pappas (Chief Environmental & Facilities Officer) was designated as the agency-wide project management executive to oversee major projects management, implement best practices, and enforce compliance of Federal and State regulations.

HRT is in the process of developing an initial policy that furthers that goal by establishing the common and consistent application of project management best practices in the management of projects. A uniform project management framework promotes consistency and better control of projects, thereby reducing risks, increasing project successes and ensuring that HRT is a responsible steward of public money. HRT plans to develop an initial project management policy within 120 days.

Also, HRT plans to develop and implement a Project Management Office within 120 days. Members of this office will assist in the implementation of policies and procedures by providing leadership and support for projects. The Project Management Office will establish the structure required to standardize project management practices, maintain project portfolio management, and set up methodologies for repeatable workflows and processes. Services may include templates that incorporate best practices and tools for scheduling project milestones, creating task lists, creating status reports, and providing deliverables.

HRT has registered two people to attend the Project Management for Transit Professional training course given by the National Transit Institute in Phoenix on October 4th and 5th of this year. Following attendance of this training a revision to the initial policy is expected to ensure that HRT Projects will be managed in accordance with best practices promoted by the transit industry and appropriately tailored to the specific circumstances of HRT. For example, project managers will be required to possess an appropriate level of project management training or experience. Projects that engage consulting firms may apply additional best practices provided by these firms. Also methods used for project auditing will be identified and aligned with industry best practices, consultant expert guidelines, and known industry accepted standards. Exclusions to the policy will be defined and identified. HRT is also in contact with NTI to host Project Management seminars at HRT.

As noted in the FMO review HRT has not taken full advantage of the capabilities of the Projects Module which is available in PeopleSoft. HRT issued an RFP on May 26, 2011 for a PeopleSoft Projects Functional Consultant. HRT has received and reviewed proposals from this RFP and expects to recommend an award by mid-July 2011. Phase I requires the consultant to re-assess the current use of the module and provide options for addressing any current utilization issues as well as any issues that would present obstacles during an upgrade. With the results of this assessment, HRT can then develop phase II to streamline the management of all projects and integrate them with the General Ledger.

HRT recently issued the monthly Light Rail Project report to key Stakeholders (**Appendix II.2 – Item 1**). When this report was issued on June 22, 2011, HRT changed the format to clearly distinguish HRT Expenditures for the project from the City of Norfolk contributions towards the project. While collectively these both represented Light Rail Project Expenses, when comparing the total expenditures as shown on the December 2010 report (**Appendix II.2 – Item 2**) to HRT's general ledger, the majority of the variance can be accounted for with the \$5,003,442 that was paid by the City of Norfolk for the Right of Way from Norfolk Southern.

As for the remaining variances between the cost report and HRT's general ledger, HRT is currently working with a consulting firm to reconcile the cost report to PeopleSoft and make any correcting entries that are required. HRT expects to produce the monthly cost report due in August directly from information in PeopleSoft.

The tracking mechanism created to track progress on these initiatives is included in **Appendix II.2 – Item 3**.

III.1 – Management Oversight of Key Grantee Operations

Grantee's Response

HRT recognized an opportunity for annual cost savings of about \$500,000 annually on legal fees by hiring an in-house attorney. Also an in-house attorney would have a single focus which the Board agreed would have benefit to HRT. The search for an attorney took some time, due to the expertise and level of experience required to serve as the legal counsel for a transit agency with various legal needs such as: labor union negotiations, accident claims, employee related matters, workers' compensation and general board issues. The Board announced the hiring of Brian K. Jackson who will start his position on July 11, 2011.

Similarly HRT understands the need for an Internal Auditor as the internal audit function is critical to proactively review of internal processes and make the necessary adjustments. Filling this critical position also requires a unique level of experience; a few qualified candidates are scheduled to have second interviews during the first two weeks of July. An Internal Auditor is expected to be on staff within 60 days.

In the meantime, HRT has been aggressively filling other critical positions across all departments including:

1. Five Revenue Services Attendants
2. Four Additional Bus Maintenance Supervisors
3. Four Additional Bus Transportation Supervisors
4. A new Accounting Specialist
5. A temporary Paratransit Certification Specialist
6. Deputy Procurement Director and
7. PeopleSoft Analyst

Filling each of these positions will help to ensure that HRT has the manpower on staff to work in the most efficient and effective manner.

To ensure that all employees with FTA grants related responsibilities undertake periodic FTA training, at a minimum the Financial Management Oversight Seminar will be required annually for the applicable staff. In June 2011, 6 employees attended the FMO Seminar in Chicago and Virginia Beach. HRT's Finance and Procurement departments meet monthly to share knowledge base between employees. HRT will seek additional training opportunities from NTI and consult with peer agencies as well. Also, an agency-wide training plan will be developed within 45 days to outline training needs and schedules and ensure an on-going and periodic FTA training to all employees with FTA grants related responsibilities.

III.2 – Controls over FTA Funded Assets

Grantee's Response

HRT understands the importance of capturing all the details required by FTA for fixed assets. In the Asset Management module, HRT has identified a place to put the title ownership, use, and condition of all FTA funded assets on the Asset Information page. The IT department is currently working on the development of each field based on the functional design specification document. IT expects to have all fields developed by July 28, 2011. Finance expects to have all updates tested and implemented by August 31, 2011.

FTA has made significant investments in HRT's bus fleet. The recent opening of the Southside Maintenance Facility will afford HRT the opportunity to take advantage of some of the state of the art maintenance services which could not be used before. There are a total of 17 bays at the new facility, which is a significant increase compared to the older facility. The additional bays and the aggressive training plan to train more mechanics to perform preventive maintenance as well as hiring four more bus maintenance supervisors will result in noticeable improvements in the timeliness of preventive maintenance on HRT's bus fleet.

To ensure effective monitoring and timely performance of preventive maintenance on FTA funded buses, HRT has developed a comprehensive action plan (**Appendix III.2 – Item 1**) that incorporates the following:

Electronic Records – Mileage Readings/PM Intervals

- All buses are required to pull in the fueling lane when it returns from revenue service. HRT has installed a Fleet Watch software program that electronically records the mileage of each bus every time it pulls in the fueling lane for servicing. This software will eliminate human data entry errors that could occur from manual odometer readings.
- The Maintenance Department will use staff review and the Fleet Watch reporting module as a tracking mechanism for all buses to be serviced at 5,400 miles or 45 days intervals, whichever comes first. The Maintenance Coordinator will track the servicing of all vehicles.
- The Director of Maintenance will print PM work orders at the beginning of each month. Distribute these work orders to Shift Supervisors as required to perform scheduled PMs. Mechanics performing PMs will have a checklist of work to be performed. Each mechanic will sign the checklist when all items are completed.

Quality Control Review and Approval of PM Work orders

- When Preventive Maintenance service occurs on the buses, the Quality Control Supervisor will randomly select at least 25% of the fleet to perform quality assurance checks. For each PM work order, the QC supervisor will review the signed checklist from the mechanic and the QC Supervisor will sign all completed work orders for PMs performed. The Maintenance Coordinator will maintain all documentation of completed PMs. The Director of Accounting will review all documentation from the Maintenance Coordinator and the Quality Control Supervisor for compliance on a periodic basis.

III.3 – Information Technology Controls over Financial and Grant Management Systems

Grantee's Response

HRT's Information Technology Department is aggressively pursuing solutions to the weaknesses addressed in the FMO Review as it relates to IT Controls over Financial and Grant Management Systems. Several of the weaknesses noted required HRT to formalize Policies and Procedures over several areas including: passwords, access to the PeopleSoft system, access to sensitive areas, and various risk assessments that relate to potential threats and vulnerabilities to the systems.

As a result of manpower concerns for addressing all weaknesses within the 120 days referenced in the FMO Review, HRT plans to solicit consultant assistance by preparing RFPs (Request for Proposals) for some of the areas noted in the review, while HRT staff will correct the deficiencies in other areas.

The table below summarizes HRT's Action Plan for the 11 subsets mentioned above. In order to ensure complete resolution of the subsets mentioned, some have been further divided resulting in 13 subsets.

Please refer to the attached action plan which further details the Action Plan (**Appendix III.3 – Item 1**).

Item	FMO Recommendation	Summary of HRT Action Plan
1	Continue with ongoing efforts and implement formal Information Technology Security Policies and Procedures	HRT is in the process of formalizing all the IT security processes and practices into a comprehensive policy.
2	Appoint an Information Security Officer (ISO) or Information Security Manager with the responsibility for developing and enforcing security policies	HRT plans to use existing staff to develop and enforce security policies.
3	Implement password policies and procedures that cover password length, maximum password age, complexity requirements, password history, and account lockout for the Network	HRT currently practices appropriate password policies on the HRT network. We are working to document the policies and procedures.
4	Implement password policies and procedures that cover password length, maximum password age, complexity requirements, password history, and account lockout for PeopleSoft.	HRT currently practices appropriate password policies on Financial Systems. We are working to document the policies and procedures.
5	Develop procedures for periodically reviewing and recertifying remote access and server room access permissions.	HRT is working on the most efficient way to determine current remote access users and will work on a process to recertify access.
6	Develop procedures for periodically reviewing and recertifying PeopleSoft and Oracle access permissions.	HRT is in the process of creating security policies and procedures governing access to the Financial Systems.

Item	FMO Recommendation	Summary of HRT Action Plan
7	Implement standard forms for requesting and approving access to the sensitive areas (Server Room and Money Room).	IT has started working with Safety and Security Department and Revenue Department to implement policies and procedure.
8	Develop a formal process for performing independent risk assessments including vulnerability assessments of the information systems. The risk assessment should be reviewed periodically to ensure that it continues to address changes in the IT operating environment.	HRT proposes to develop an RFP to hire a contractor/consultant to create an independent process and to complete the agency's risk and vulnerability assessment of the PeopleSoft Financial System.
9	Ensure that the weekly PeopleSoft backup tapes are rotated to an offsite location that is geographically separated from the Hampton and Norfolk primary locations	HRT proposes to develop a Request for Proposal (RFP) to hire a contractor/consultant to research and recommend a method of off-site storage that is geographically separated from Hampton and Norfolk primary locations.
10	Develop procedures to require periodic testing of backup tapes for the financial system at least annually	HRT has draft tape backup procedures in place. HRT is working on creating, documenting and implementing a formal schedule and process.
11	Develop a formal disaster recovery plan for the PeopleSoft Financial System	HRT proposes to develop a Request for Proposal (RFP) to hire a contractor/consultant to create a formal disaster recovery plan for the PeopleSoft Financial system.
12	Develop procedures to identify the events that are required to be logged by the financial systems. The procedures should also establish requirements for periodically reviewing the logs for unusual/suspicious activity.	HRT IT staff will work with Finance stakeholders to determine business requirements for creating audit trails (logging) of critical business events within the PeopleSoft Financials system.
13	Perform environmental controls testing for the Uninterruptible Power Supply (UPS) system, Power Generator, Fire Suppression System, and Smoke Detectors for the server room and document the result.	IT has obtained copies of Fire Suppression, Smoke Detector, and Power Generator testing for the past year from Facilities. IT will work closely with Facilities to create procedures and policies necessary to ensure environmental controls testing is actively performed and logs are maintained properly.

III.4 – Monitoring and Self-Assessments of Internal Controls

Grantee's Response

HRT senior management has hired an in-house attorney and is in the final selection phases for hiring an Internal Auditor. An Internal Auditor is expected to be on staff within 60 days. The Internal Auditor will be responsible for evaluating the design, adequacy and effectiveness of internal controls. In the interim, HRT continues to conduct unannounced audits on some critical areas such as Petty Cash and Daily Revenue Reconciliation, and periodically reviews procedures to ensure adequate segregation of duties.

Henry Li, Chief Financial Officer has been responsible for leading a team to aggressively and relentlessly address over 50 deficiencies and/or findings resulting from various reviews including the FMO review, an FTA procurement system review, a Virginia DRPT compliance review, and VDOT's Office of Inspector General special review. Working collaboratively with all stakeholders from federal and state reviewing authorities, auditing firms and HRT personnel, the team has developed specific and detailed corrective action plans and associated timetables, implemented the action plans within stringent deadlines, and aggressively followed up and tracked performance. These tasks are being accomplished successfully while meeting each deadline as well as obtaining positive feedback from each of the auditing firms and reviewing authorities.

HRT has tracking mechanisms in place for all FTA Related and State Reviews including: FMO Review, FTA Procurement Review, DRPT Compliance Audit, and the VDOT OIG Review. Each tracking mechanism is reviewed at least monthly. (**Appendix Section II.1 – Items 1-4**)

III.5 – Timely Submission of Federal Reports

Grantee's Response

HRT acknowledges that it has requested a one-month extension for filing the NTD in the past. As stated in the discussion above, the FY10 submission was granted a one-month extension through November 30, 2010. HRT submitted the NTD report on December 9, 2010, as evidenced by the NTD website. (**Appendix III.5 – Item 1**)

HRT has reviewed the data requirements for the annual NTD report and is implementing the following steps to ensure that the annual NTD report will be filed no later than October 31 of any fiscal year.

1. All levels of HRT management have been apprised of the importance of the NTD report and the timeliness and accuracy of data.
2. The Manager of Data Analytics has prepared a comprehensive list of data required for each form and determined which departments are responsible for preparing and submitting the required data to the Manager of Data Analytics. (**Appendix Section III.5 – Item 2**)
3. HRT's finance department has accelerated the financial audit process such that the final audited financial numbers will be completed by September 30th of each year.
4. HRT's Finance Department has revised its procedures to include monitoring of the Single Audit Reporting package that ensures the timely submissions of the Data Collection Form via the Federal Audit Clearinghouse by the external auditors that complies with required deadlines. (**Appendix Section III.5 – Item 3**)
5. The Chief Planning and Development Officer, Manager of Data Analytics, Chief Financial Officer and the Deputy Director of Accounting will meet periodically with the individual departments to review the detailed data requirements and the accompanying due dates.

6. Each department manager is again apprised of the importance of meeting the established deadlines with accurate data.
7. The NTD data will be collected on a monthly and annual basis, with deadlines for both.
8. The adherence to the established timeline will result in staggered submissions to the Manager of Data Analytics, allowing for continual preparation.
9. The basic timeline will be as follows:
 - a. Monthly data will be due on the 2nd, 3rd, 5th and 10th of each month from the various departments.
 - i. The monthly NTD report will be compiled from the submitted data and filed no later than the last day of the following month.
 - ii. The Manager of Data Analytics shall be responsible for filing the data, with the Deputy Director of Accounting acting as the backup.
 - b. Annual data will be due on, July 10th, August 15th, September 1st, September 15th , and September 30th of each year from the various departments.
 - i. The Manager of Data Analytics and the Deputy Director of Accounting will compile the data, prepare the submission and review any issues with the individual department managers.
 - ii. Department managers will be required to acknowledge data accuracy by signing the reports related to their department.
 - iii. CFO and the Members of the Finance team will review the entire report for accuracy and reasonableness prior to giving it to the CEO.
 - iv. The report will be ready for review by the CEO no later than October 23rd.
 - c. The CEO will review the report and submit using the Internet-based system no later than October 31.

The NTD audit will be scheduled to commence on October 23rd, with the final IAS-FFA-10 to be completed and submitted to NTD by November 30.

Finally, the Chief Financial Officer and Chief Planning & Development Officer will periodically review all other FTA and State related reporting requirements and deadlines, as well as will act aggressively to ensure the timely submissions of all federal and state reports.

III.6 – Time Reporting

Grantee's Response

HRT has updated the policies and procedures (**Appendix III.6 – Appendix Item I**) to outline the responsibility of the Employee and Supervisor for the accurate completion, submission, review and approval of all administrative staff time sheets. The policy also includes an additional level of review prior to any time being charged to a grant, no matter the funding source.

HRT will develop a formal process for identifying what time is chargeable to a specific FTA project within the recommended timeframe.

IV.1 – Disposal of Fixed Assets

Grantee's Response

HRT has revised and updated its procedures (**Appendix IV.1 – Item 1**) on the disposal of fixed assets (including FTA funded fixed assets) to include the requirement that prior to disposal fixed assets shall be valued using independent fair market values through valuation guides such as “Bus Blue Book Guide” (www.bussolutions.com) and assigned to each asset prior to disposal.

IV.2 – Budget Monitoring Practices

Grantee's Response

As referenced in the discussion above, HRT utilizes capital funds to reimburse operations for preventive maintenance and ADA operating expenditures, and procurements and contracts over a certain level. With the use of capital funds for operating expenses, HRT has not established a robust long-term capital program, with the exception of seeking funding for a limited number of projects on a year-to-year basis.

With recent growth as an agency and the changes in senior leadership it quickly became evident that HRT would benefit from a more aggressive long-term capital and operating program. This focused approach involves partnering with transit industry knowledgeable consultants and completing a Transit Development Plan (TDP) which includes a more in-depth analysis and development of a capital and operating program. The TDP is required by the Virginia Department of State and Public Transit and will improve HRT's efficiency and effectiveness by identifying the need and required resources for modifying and enhancing services provided to the general public. HRT is currently working on the TDP and it will be completed by the end of 2011.

In support of HRT's efforts to be a more transparent agency - the TDP, including the capital budget, will be submitted for review to the Transportation District Commission of Hampton Roads, HRT's Board of Commissioners, as it is developed over the summer and fall of 2011. The TDP, which will include the six year capital plan, is scheduled to be adopted by the Commission prior to the December 1st deadline as set forth in the TDP requirements. While adoption of the TDP does not commit the Commission to funding a fixed list of projects, it does provide a framework for how HRT's capital funds should be used and ensures stakeholders are aware of upcoming capital projects. An update to the TDP will be required on an annual basis, and will include a submission of the capital budget to the Commission as outlined in the Advisory Comments.

All major stakeholders have to closely monitor current expense activity in order to make informed management decisions for future operating and capital needs. HRT has identified and determined a standard threshold for measuring and communicating budget-to-actual variances to the Commission. In order to efficiently present this analytical information to the Commission the tolerance levels for Budget to Actual variances will be categorized in two broad categories: Low-Risk and Moderate to High Risk.

- **Low-Risk Tolerance:**
 - Budget-to-actual variances less than five (5) percent are an early warning sign for potential problems. Management will discuss and monitor low risk items.
- **Moderate to High-Risk Tolerance:**

- Budget-to-actual variances greater than or equal to five (5) percent could jeopardize the financial well-being of HRT. As a result of these implications, Management will thoroughly analyze the applicable line items and answer the following questions:
 1. Is the cause of the variance an isolated incident?
 2. What is the financial effect if this variance trend continues?
 3. What corrective measures are needed to mitigate future concerns?
 4. Who is responsible for implementing the corrective measures?
 5. What tracking mechanism will be used to measure the implementation?

Management will document and communicate the answers to the above questions for moderate to high-risk variances to the Governing Board members in writing at the respective monthly board meeting.

IV.3 – Documentation of Process for Allocating Grant Expenditures

Grantee's Response

Allocating capital expenditures for the various projects can be challenging. HRT's preference is to fully implement and use the Grants, Contracts, and Projects Modules within PeopleSoft to track capital project funding sources. However, HRT is using a customized older version of PeopleSoft which has made upgrading to the most recent version of PeopleSoft complicated. Despite these complications, HRT issued three RFPs on May 26, 2011 for functional PeopleSoft consultants for the Grants, Contracts and Projects Modules. The deliverables of each is to get an assessment on how HRT can use the three modules to more efficiently allocate capital project expenditures.

HRT's methodology for allocating capital expenditures changed within the last three years in an effort to improve the tracking of reimbursements due from our funding partners (FTA, Department of Rail & Public Transportation (DRPT) and the seven local cities we serve). This improvement would also insure that all funding was secured prior to project expenditures taking place.

Prior to FY08 all expenditures were recorded in the ledgers at 100% and reconciliations outside of the People Soft system were used to identify the non-federal reimbursement funding sources. From FY09 to current, HRT uses a Project Funding Crosswalk and the PeopleSoft system collectively to track project funding. HRT's fund number structure is set up to easily identify funding resources:

Fund Numbering Convention	Type of Funding
Fund 2XXX	FTA Grant Awards
Fund 5XXX	DRPT Grant Awards
Fund 6XXX	Capital Project Contributions the from Seven Cities

Using the Virginia Beach Rail Analysis project, as an example - this project is funded as follows per the Project Funding Crosswalk (**Appendix IV.3 – Item 1**) – Federal 80%, State 20% and 0% Capital Project Contributions from the Seven Cities. Accordingly all budgets, requisitions, purchase orders, journal entries, and expenditures will be allocated using these percentages.

The crosswalk has been developed for projects that are underway; however the all-inclusive crosswalk for ***all HRT projects*** will be completed by August 30, 2011.

For HRT's Light Rail Project, the following grants mentioned in the FMO Review report are FFGA grants and are only used to pay for FFGA expenses: **VA03-0107**, **VA66-X004**, **VA95-X001**. The remaining two grants – **VA95-X063 and VA-95X064** are CNFA grants and are used to pay for expenses related to City & state scope additions.

As the FMO Reviewers noted certain vendor invoices were charged different percentages depending on which grant(s) were available at that time and used to pay those invoices. For example, the New Starts Grant: VA03-0107 requires **69.8% Federal** portion to be matched by 30.2% Non-Federal sources. A series of state grants with different local contribution requirements made up the 30.2% match.

For the Light Rail Project, FFGA and CNFA expenses were allocated based on the review performed by HRT Project Office staff. Staff reviewed all construction and professional services contracts and categorized budget overruns by budget line item as shown in the monthly FTA Cost report into FFGA cost overruns & CNFA scope additions. A CNFA percentage was calculated for each budget line item. This percentage was then used to split project invoices. As a result these percentages are unique as they are based on the budget line items, which vary.

Part of the reason the FMO Reviewers could not re-perform the calculations, is that the percentages are based on the total awarded contract amount which changes periodically as a result of change orders. Although they were included in the electronic submission during most of the review period, they were not printed and attached to the supporting documentation which the FMO reviewers examined. HRT has changed the process where these percentages are now printed and included with the invoice and other supporting documents

APPENDICES

APPENDIX II – MATERIAL WEAKNESSES

II.1 – Deficiencies from Prior Reviews

- II.1 – Appendix Item 1 – VDOT OIG – Mission 31/90 Matrix & Supplemental IT Matrix
- II.1 – Appendix Item 2 – Procurement System Review Tracking Matrix
- II.1 – Appendix Item 3 – DRPT Compliance Review Tracker
- II.1 – Appendix Item 4 – FMO Review Finding Tracker

II.2 – Project Management Procedures

- II.2 – Appendix Item 1 – Light Rail - Project Summary Report – May 31, 2011
- II.2 – Appendix Item 2 – Light Rail - Project Summary Report – December 30, 2011
- II.2 – Appendix Item 3 – Project Management Action Plan & Organizational Chart

APPENDIX III – SIGNIFICANT DEFICIENCIES

III.1 – Management Oversight of Key Grantee Operations

- III.1 – Appendix Item 1 – In-House Attorney Approved by the Board

III.2 – Controls over FTA Funded Assets

- III.2 – Appendix Item 1 – Preventive Maintenance Comprehensive Action Plan

III.3 – Information Technology Controls over Financial and Grant Management Systems

- III.1 – Appendix Item 1 – Information Technology Corrective Action Plan

III.4 – Monitoring and Self-Assessments of Internal Controls

III.5 – Timely Submission of Federal Reports

- III.5 – Appendix Item 1 - NTD Reporting Filed on December 9, 2010
- III.5 – Appendix Item 2 – Data Analytics NTD Tracking Report by Form
- III.5 – Appendix Item 3 – Financial Management Policy & Procedures

III.6 – Time Reporting

- III.6 – Appendix Item 1 – Timesheet Approval Policy & Procedure

APPENDICES

(continued)

APPENDIX IV – ADVISORY COMMENTS

IV.1 – Disposal of Fixed Assets

IV.1 – Appendix Item I – Asset Disposal Management Procedures

IV.2 – Budget Monitoring Practices

IV.3 – Documentation of Process for Allocating Grant Expenditures

IV.3 – Appendix Item I – Sample of Project Funding Crosswalk

II.1 – APPENDIX ITEM 1

VDOT OIG – MISSION 31/90 MATRIX

&

SUPPLEMENTAL IT MATRIX

6 PAGES FOLLOW

Mission 31/90 Quarterly Progress Status Report
As of July 6, 2011

Item #	Recommendation	Initial Action Steps	Current Status	Responsible Staff	Milestones
Completed Tasks: 13					
3	We recommend that the HRT Chief Executive Officer consult with legal counsel to evaluate existing remedies and alternatives available to reduce and/or mitigate the risk associated with actions taken by HRT staff in connection with their duties. If such remedies exist, then evaluate the probability of recovering damages related to actions involving LRT/Tide project.	HRT's President and CEO met with appropriate legal authorities in January 2011.	Since January 2011, no additional potential risks were found.	David Sullivan & Philip Shucet	Completed
4	We recommend that the HRT Chief Executive Officer take the steps necessary to effect a binding agreement regarding the usage of the NSU property.	The President and CEO and the City of Norfolk signed the NSU agreement on February 8, 2011. The General Assembly has authorized the execution of the agreement by NSU and the Commonwealth of Virginia.	Completed - agreement signed 2/8/11	Henry Nutbrown	Completed
5	We recommend that the HRT Chief Executive Officer communicate to all HRT staff the requirement to comply fully with the provisions of the Virginia Freedom of Information Act.	Responsibilities and obligations for compliance with FOIA employees (Dec 14, 2010), reinforced by special training session scheduled for March 18, 2011 in collaboration with Virginia Freedom of Information Advisory Council.	FOIA training completed	Karen Burnette	Completed
9	The missing funds at the Trolley Base Facility were not discovered timely or disclosed timely, because management failed to do their jobs. Fare reconciliations were not performed for a period of over two years. We recommend that management evaluate the need for corrective and/or disciplinary action for those employees, currently employed, who failed to perform their duties.	Management has evaluated and taken appropriate actions necessary to date.	Disciplinary action was taken and daily fare reconciliations are being conducted.	Henry Li & Paul Croston	Completed
18	We recommend that HRT document responses to each of the ROTF and APTA recommendations.	Response to each ROTF/APTA recommendation has been recorded.	Done	Brian Smith	Completed
21	Management may want to consider using contract employees or paying more money to get better qualified staff in some of the positions in the revenue operations.	Outsourcing has been considered and not selected. Based on market data research, HRT is ensuring compensation based on qualifications, skills and duties performed for each position.	Salary review conducted and salary changes are made.	Henry Li, Paul Croston, & Karen Burnette	Completed
23	We recommend that Human Resources consider developing policies to address shortages or thefts of funds and determine what actions should be taken when a shortage or theft is noted.	Revised Standard Operating Procedures (SOP) for revenue operations has been implemented; Executive communication to all employees reinforces agency-wide policy regarding theft.	Sent all employees memo regarding Theft of HRT property on 3/1/2011	Henry Li, Karen Burnette, & Paul Croston	Completed
28	We recommend that the HRT Chief Executive Officer immediately take the steps necessary to ensure compliance with the State and Local Government Conflict of Interest Act contained in Title 2.2, Chapter 31 of the Code of Virginia and that such actions apply to all key management and procurement personnel whatever the employee type.	Virginia State and Local Conflict of Interests (COI) Act Training and applicable disclosures have been completed by key personnel.	Done	David Sullivan	Completed
24	We recommend that management consider conducting more thorough criminal background checks on employees working in the revenue operations. We also recommend that management keep the requirement that employees must have a positive credit history report to be hired in the revenue operations unit.	Per hiring policy, updated effective 02/14/11, HRT is conducting the most available for all available for all employee types, employee types, including credit history analysis for the revenue operations unit. HRT has issued an RFP which, pending award, may further improve on these activities.	Contract Awarded to Background Check Services on 4/4/2011. Contract #C56023	Karen Burnette	Completed
30	We recommend that the HRT Chief Executive Officer perform an evaluation of the existing HRT organizational structure and staffing to ensure core functions are supervised by experienced and knowledgeable staff with the right skill level.	Evaluation complete and agency-wide organizational realignment implemented effective February 1, 2011.	New organizational chart implemented May 2011.	Philip Shucet	Completed
26	We recommend that the HRT Chief Executive Officer consider pursuing action to revoke the authority granted under Commission Resolution No. 13-2001 relative to the donation of surplus property.	CEO has prohibited the donation of surplus property (Jan 21, 2011 memo) and Board revocation of authority granted by Commission Resolution No. 13-2001 will be sought before the end of FY11.	Done	Sibyl Pappas	Completed
2	We recommend that the HRT Chief Executive Officer take immediate steps necessary to ensure the LRT/Tide project is in compliance with all terms and conditions included in the FFGA. Such steps should include at a minimum, obtaining "written" approval from the FTA extending the Revenue Operations Date beyond that contained in the FFGA.	HRT has provided formal notification to the Federal Transit Administration that the start of revenue operating is postponed (Jan 6, 2011).	Revenue Operations date announced as August 22, 2011	Philip Shucet & Henry Nutbrown	Completed
11	Our review of the daily reconciliations also noted that ticket vending machine money, customer service cash, customer service credit card receipts, petty cash and other miscellaneous funds are co-mingled with the fare collections and combined into one deposit for the day. We recommend that funds other than fare collections be put in a separate daily deposit in order to simplify the fare revenue reconciliation process.	Receipt, processing, and accounting of funds from all sources are completely separated; separate deposits not required.	Completed	Henry Li & Paul Croston	Completed
LRT Related Items - In Progress: 1					
1	We recommend the HRT Chief Executive Officer take appropriate action to ensure accurate and timely accurate and timely development and routine disclosure of LRT/Tide project budget-to-actual and cost-to-complete analysis to key stakeholders. We also recommend the HRT Chief Executive Officer consider having discussions with FTA and possibly the United States Department of Transportation, Office of Inspector General regarding	HRT issued budget-to-actual and a cost to complete document to all stakeholders. HRT has met and discussed with all appropriate authorities.	Monthly President's Report contains updated information.	Philip Shucet & Henry Nutbrown	Completed/Monthly On-Going until Project Closeout

Mission 31/90 Quarterly Progress Status Report

As of July 6, 2011

Item #	Recommendation	Initial Action Steps	Current Status	Responsible Staff	Milestones
Procurement - In Progress: 4					
6	We recommend the HRT Chief Executive Officer ensure that solicitation and subsequent evaluations of officers' bid/proposals are conducted in an impartial and comprehensive manner, including consideration of pricing as an evaluation criterion where required. We also recommend the HRT Chief Executive Officer, through the Director of Procurement, ensure that procurement files are complete and provide a complete background, including the basis for each step in the process and for the final decision.	Updating of procurement policies completed, including checks and balances to ensure complete accurate records. Policies may be amended pursuant to FTA financial management oversight review.	HRT has received Final report of Procurement System Review from FTA. Procurement has incorporated FTA recommendations with 3/3/11 and 6/20 updates to Procurement Policies & Procedures. Final updates will be incorporated by September 1, 2011	Deborah Purcell	September 1, 2011
7	We recommend the HRT Chief Executive Officer takes appropriate action to ensure compliance with federal and state procurement laws and internal procurement compliance with federal and state procurement laws and internal procurement policies and procedures regarding full and open competition. At a minimum, such activities should include required organization-wide training of all management and administrative personnel involved with procurement activities. We also recommend the HRT Chief Executive Officer study current federal, state, local and internal procurement laws, regulations, policies and procedures and ensure that HRT is appropriately applying the correct statutory authority for particular procurement situations.	Procurement policy revisions are complete and implemented. Training calendar and training curriculum addressing all key items have been defined and scheduled.	1. First additional update will be completed per dates in item #6 2. Procurement Series Training sessions are being scheduled. 3. Ongoing monitoring mechanisms are in place.	Henry Li, Deborah Purcell, & Karen Burnette	September 1, 2011
8	We recommend the HRT Chief Executive Officer take appropriate steps to ensure the complete, open, and timely disclosure of contract matters to the Board. We also recommend the HRT Chief Executive Officer take appropriate steps to ensure all required Board approvals are obtained in accordance with applicable Federal and State laws and HRT policies and procedures.	Executive communication to all HRT employees stressing contract approval requirements of HRT Procurement Policy, inclusive of federal and state laws, and zero-tolerance policy for noncompliance. (Feb 3, 2011 memo)	HRT has incorporated the suggested Approval requirements into the current policies & procedures. The approval process was expanded with the 6/20/11 update to include the buyer level. Additional updates will be included in the 9/1/2011 update.	Henry Li & Deborah Purcell	September 1, 2011
27	We recommend the HRT Chief Executive Officer ensure that adequate controls exist over the payment of invoices. At a minimum, current policies and procedures should be reviewed and updated, as necessary, and there should be mandatory training for all Project Managers to ensure they have a complete understanding of their responsibilities in this critical role.	Training curriculum and training calendar have been defined for all Project Managers. Invoicing controls are instituted as part of revised policy now enforced.	Final phase of updates to the Procurement Policies & Procedures will include additional guidance for the Project Managers. A new invoicing approval process was implemented on 5/15/2011	Henry Li, Deborah Purcell, & Karen Burnette	September 1, 2011
Organizational Structure - In Progress: 1					
29	We recommend that the HRT Chief Executive Officer establish a position to independently evaluate HRT's network of internal controls. The position should report functionally to the HRT Chief Executive Officer under a Charter that permits the position to report directly to the Chairman of the HRT Commission or to the Federal Transit Administrator when situations require such a direct reporting relationship.	Budget for position has been established for FY12.	In house attorney will start July 11, 2011 and Internal Audit position will be on staff by September 30, 2011	David Sullivan	Monthly until filled
Revenue Management - In Progress: 8					
10	As the missing funds at the Trolley Base Facility occurred prior to September 2009, we recommend that HRT evaluate the need to perform reconciliations for collections prior to September 2009, at least on a sample basis, to look for patterns of shortages at fare collection locations other than the Trolley Base Facility.	Sample reconciliations and analyses are being performed for other locations as recommended.	The reconciliations have been completed for the Trolley Base Facility. In an effort to ensure the other locations did not have similar occurrences, it was suggested that sample reconciliations occur for the other locations. Two additional reconciliations for April through June 2009 are in process for the Northside and Southside locations.	Cathy Young	Both Northside and Southside sample reconciliations are expected to be completed by July 15, 2011
12	We also recommend that the other funds (i.e. ticket vending machine money, customer service cash/credit cards, petty cash) be collected and deposited separately.	All funds are distinctly received, processed and accounted for without multiple daily deposits.	Currently evaluating whether or not a change is needed.	Henry Li & Paul Croston	Monthly
13	Due to the lack of following procedures in cash receipts, we recommend HRT look at the controls over all cash revenue at the controls over all cash revenue operations.	Cash revenue controls and money room policies and procedures have been completely revised.	Periodic review of policies & procedures and revised as appropriate - meeting set up to discuss further.	Henry Li & Paul Croston	Quarterly and as needed
15	We also recommend that HRT management evaluate the personnel that will be using the GFI system and ensure that employees are capable of using the GFI system, and are held accountable for doing so.	Core revenue management positions using GFI are qualified and outcomes are being tracked on a daily basis.	New Revenue Analyst has been hired and they will receive GFI Training within 60 days.	Paul Croston	Monthly
17	We recommend that HRT consider hiring an independent third party consultant to assist in implementing the recommendations from each of the revenue studies.	Executive decision (Jan 21, 2010) is to not outsource for implementation of recommendations at this time. Permanent CFO may re-examine.	CFO carefully evaluated the recommendations and executive decision made on 1/21/10 and agreed not to hire an independent 3rd party consultant to assist in implementing the recommendations provided in the revenue studies. This decision was based on cost benefit analysis and budget constraints. Instead, additional staff are being hired to implement the recommendations from the previous revenue studies. The previous revenue studies provided clear and concise direction that HRT staff can follow.	Henry Li, Paul Croston, & Karen Burnette	Ongoing

Mission 31/90 Quarterly Progress Status Report
As of July 6, 2011

Item #	Recommendation	Initial Action Steps	Current Status	Responsible Staff	Milestones
Revenue Management (continued)					
19	We recommend that HRT review the different ways in which funds are transferred to the money room and develop a consistent method for all locations which ensures security of the funds and the employees transporting the funds.	HRT is adopting methods agency-wide based on GFI mobile bins and vaulting systems to ensure closed systems are in place across all revenue operations. Three new mobile bin stations are being installed at new Norfolk facility in May one additional station in Virginia Beach this summer. For Suffolk and ferry operations, secured fare box vaults are most suitable.	New Norfolk Location opened May 2011. Others are currently on schedule	Paul Croston	Summer 2011-Va. Beach.
20	We recommend that management review the staffing qualifications of the revenue operations unit to ensure they have adequately qualified employees and an adequate number of employees to perform the duties of the unit at all times.	All current positions have been reviewed and verified, and new positions (2 Collections Assistants, 2 Revenue Attendants, 1 Financial Analyst) have been defined.	A Financial Analyst & (3) Revenue Attendant positions have been filled. Successfully filling two collection assistants positions are pending completion of background checks, these two should be filled by July 31, 2011.	Henry Li, Paul Croston, & Karen Burnette	Ongoing
22	HRT could also prepare a cost benefit analysis of using a professional security firm, like Brinks or Dunbar, to move vaults. Some banks may also provide money counting services, and HRT could also consider if there is enough benefit to outsource some or all of these operations.	HRT is issuing a new RFP with target award date prior to July 31, 2011; cost-benefits analyses will be completed on proposals received per this RFP, to potentially outsource the additional revenue operations functions identified by VDOT Inspector General's report.	RFP with award date extended to no later than Aug. 31	Paul Croston & Deborah Purcell	Ongoing
IT/ Revenue Management - In Progress: 2					
14	We recommend that HRT management review the GFI system and evaluate implementing any software or hardware that could enhance the performance of the HRT GFI system.	Thorough GFI review completed. HRT has identified and programmed new capital investments further enhance reliability and accuracy of fare equipment.	In Conjunction with Item 16: An internal review divided the system into 4 areas - Maintenance, Security, Software, and Hardware. IT is in the process of developing a matrix to group tasks within each of these areas into 1) Tasks that can be completed now; 2) tasks that can be deferred; 3) tasks that cannot be completed. Once this matrix is prepared timeframes will be associated with them and resources identified and a budget determined.	Alesia Cain	Monthly until Matrix is developed which will provide specific timelines - See Supplemental IT Matrix Attached
16	We recommend that management evaluate the need for an audit of the GFI system at HRT to determine whether it is accurate and reliable.	External GFI technical staff audit and review (Oct 2007) and HRT internal review (Feb 2011) have resulted in identifying several specific recommendations HRT is now implementing.	In Conjunction with Item 14: An internal review divided the system into 4 areas - Maintenance, Security, Software, and Hardware. IT is in the process of developing a matrix to group tasks within each of these areas into 1) Tasks that can be completed now; 2) tasks that can be deferred; 3) tasks that cannot be completed. Once this matrix is prepared timeframes will be associated with them and resources identified and a budget determined.	David Sullivan & Alesia Cain	Monthly until Matrix is developed which will provide specific timelines - See Supplemental IT Matrix Attached
Financial Management - In Progress: 2					
25	We recommend that the HRT Chief Executive Officer take immediate steps to ensure compliance with all terms and conditions of grant agreements, including but not limited to: review, identification and repayment of funding associated with the purchase of vehicles used for commuting purposes; review, identification and repayment of funding associated with the maintenance of vehicles used for commuting purposes; review recent surplus property disposals to ensure documentation is maintained to establish the fair market value at time of disposal.	Terms and conditions of grant agreements have been satisfied; FTA financial management oversight review (Apr 2011) may result in action items for HRT; documentation maintained for recent surplus property disposals demonstrates fair market value is established at time of disposal (all vehicles were beyond useful life span), pursuant to applicable federal law.	Received unofficial draft report; staff have been assigned to address the issues associated with these recommendations	Henry Li, Barry Herring, Hien Hoang, & Sharhonda Rush	Within 3 months a corrective action plan will be developed and implemented
31	We recommend that the HRT Chief Executive Officer ensure that Local contributions are calculated, billed, collected, or refunded in accordance with the terms and conditions specified in the Cost Allocation Agreement negotiated with the seven participating cities.	Following each fiscal year audit, HRT will address variances for each locality by crediting favorable variances and billing unfavorable variances.	Letters sent to the 7 cities on 4/28/2011 regarding new policies on true-up balances.	Henry Li & Barry Herring	Completed/Annual Review
Total Items: 31					

Mission 31/90

- #14 - We recommend that HRT management review the GFI system and evaluate implementing any software or hardware that could enhance the performance of the HRT GFI system
 #16 - We recommend that management evaluate the need for an audit of the GFI system at HRT to determine whether it is accurate and reliable

Recommendations proposed February 2011	Responsible Party	Expected Completion	Current Status
Maintenance			
• It is recommended that a viable schedule with manageable timeframes and completion dates should be set to have major PM's performed on the entire fleet of fare boxes. Once we are sure that all fare boxes have had their major PM performed, fare box PM's should then be maintained on the schedule suggested by GFI and dates should be adhered to.	J. Samadani	Fall 2012	<ul style="list-style-type: none"> • Fleet of over 300 buses to have major farebox PM performed every 6-12 months. • With recent Fleet Support staff hirings, PM dedicated staff have been identified • Coordination needs to be done to ensure Bus Operations and Revenue understands the requirement and is able to supply buses and staff for farebox PM when requested • PM schedule of dates, times and buses will be created in conjunction with Bus Operations and Revenue Services
• It is recommended that once the major PM's are done on all fare boxes and a schedule is implemented to maintain fare box PM's as suggested by GFI, an analysis of the number of road calls related to fare boxes not being PM'ed should be performed.	J. Samadani	Fall 2012	<ul style="list-style-type: none"> • Schedule to be maintained by Fleet Support Management upon completion of initial farebox PM • Operations Analyst is currently assisting Fleet Support staff to gather data and get into format for analysis
• It is recommended that memory clear usage be monitored and reviewed for usage regularly.	J. Samadani	September 1, 2011	<ul style="list-style-type: none"> • Fleet Support Manager is working with IT to log and monitor memory clear
• It is recommended that routine annual reviews of firmware and software versions with GFI technical staff be conducted. If there becomes a compelling reason to upgrade the TRIM versions, Fleet Support Services will need to work with Money Room staff and GFI technical staff to plan and budget for and receive ample number of chips to phase in the upgrades in an organized, expeditious manner and to perform necessary compatibility tests prior to installing upgraded chips.	A. Cain	Fall 2011	<ul style="list-style-type: none"> • IT has contacted GFI to start the dialogue on firmware versions • Software upgrade to current release is currently in process and scheduled to complete Fall 2011
• It is recommended that once new staff gets trained in Fleet Support Services, the initiative to get the GFI equipment into Spear should be made a priority project. It would be ideal if the equipment could be in Spear by the time the new 18th street facility is completed in May 2011.	A. Turakhia	Spring 2012	<ul style="list-style-type: none"> • A preliminary assessment of requirements has been completed • An analyst is working with Fleet Support to get data available in formats helpful for importing into Spear • Fleet Support has been actively gathering part information and serial numbers necessary to implement warehouse portion • Policies and procedures need to be reviewed to assess any necessary changes to methods of work to allow for successful implementation and utilization of the Spear system
• A review of the power and system configuration at the Virginia Beach facility is recommended to minimize the number of service interruptions that impede the probing process.	W. Collins/H. Duvall	September 1, 2011	<ul style="list-style-type: none"> • IT Management will work with Facilities to test power and ensure proper system configuration for Virginia Beach installation and server room capacity
Security			
• It is recommended that the Virginia Beach facility vault be replaced by a mobile vault assembly that will allow for the introduction of cashbox and bin identification. Better monitoring of activities related to vaulting and probing and will move HRT closer to the "closed loop" revenue model. Installation of the mobile vault assembly can be planned for the first garage bay area in the Virginia Beach facility. Installation of the mobile vault assembly will also introduce the detailed recordation of revenue related to probing and vaulting of vehicles. The bins can be removed on a daily basis and transported to the 18th Street Money Room for processing thereby removing any need for money handling at the Virginia Beach facility. The GFI system will then have all of the necessary revenue data collection information to allow for proper reconciliation. A quote was provided by GFI for the procurement and installation of equipment and software at this facility.	A. Cain/P. Croston	Spring 2012	<ul style="list-style-type: none"> • Preliminary cost information has been requested from GFI to assess budget for equipment • An assessment of cabling, power and server room requirements will be done in August 2011 • A budget will be allocated upon completion of cost analysis
• It is recommended that mobile vaults also be installed at the Hampton facility. This will allow for the secure transport of funds without having human contact with the money until the time the bin gets opened at the 18th Street Money Room for counting. HRT will be reviewing the Hampton facility at a future time to determine the feasibility of adding a mobile bin revenue collection system at this location.	A. Cain/P. Croston	Not planned	<ul style="list-style-type: none"> • Infrastructure modification requirements for probe lanes and vault installations at Hampton Facility and budgeting constraints do not allow HRT to plan for this at this time
• It is recommended that HRT reduce the number of bullets with keys that are currently secured to what is absolutely necessary. A bullet may be required to perform audit bus functions or repair functions; therefore, there really is no requirement to have more than one bullet available to perform these two functions. Bullets are also necessary for every fare box that is to be put back into service once it has been taken from a decommissioned vehicle. Spare bullets with keys may need to be maintained because of replacement requirements due to breakage. An analysis of the required number of bullets to be secured for fare boxes put back in service and any spare requirements should be determined.	P. Croston	Fall 2011	<ul style="list-style-type: none"> • Revenue is performing an analysis of what options are available for reducing the number of bullets with keys
• It is recommended that a secure method of bullet and key reduction should be researched and implemented. Current options are to return or sell the bullets and keys back to GFI or HRT can find a secure method to destroy the parts. A determination of which way to reduce the number of bullets can be made with the assistance of GFI technical staff. Until the secure removal and/or destruction of bullets is performed, a review of the method of storage for the bullets and keys should be done to ensure that there is no chance of bullets and keys being misused or missing. The bullets should be inventoried and frequently monitored. Ideally, placing them in a secure container or purchasing a lock box at a bank to secure them should be considered in the interim. Additionally, any spare or replacement keys and locks from old equipment should be accounted for as well.	P. Croston	Fall 2011	<ul style="list-style-type: none"> • Revenue is performing an analysis of what options are available for securing the bullets with keys

**Supplemental Matrix for
IT Findings from VDOT OIG**

Mission 31/90

#14 - We recommend that HRT management review the GFI system and evaluate implementing any software or hardware that could enhance the performance of the HRT GFI system

#16 - We recommend that management evaluate the need for an audit of the GFI system at HRT to determine whether it is accurate and reliable

Recommendations proposed February 2011	Responsible Party	Expected Completion	Current Status
<ul style="list-style-type: none"> It is recommended that a provision be made for re-keying all bullet and replacing locks for cashboxes and vaults/receivers at HRT on a 3-year interval as suggested by GFI. An analysis of whether it is feasible for Fleet Support Services to perform this function or whether HRT should hire GFI to provide the technical staff to perform this function, should be done. Re-keying and lock replacement would impact all fare boxes, all vaults/receivers, and all cashboxes. It is a time-intensive and time-sensitive process that has to be well planned and coordinated between departments at HRT, specifically Fleet Support Services, Revenue Services, and Transit Operations. It is recommended that electronic key usage at the Ford Plant and at Hampton be more closely monitored. Verification of electronic key usage should be included as part of the maintenance review for the security of the system. All electronic key usage documentation provided by the Revenue Services department should be cross-referenced with maintenance records of Fleet Support Services to ensure documentation of usage is accurate and available for future review. Fleet Support Services would only have documentation in situations where there has been an inability to probe due to some mechanical or electrical failure and they were involved in the repair. All other documentation related to electronic key usage should be provided by Revenue Services staff and approved by the Director of Revenue Services. It is recommended that a full analysis of the use of the electronic key at all HRT facilities be completed to ensure the guidelines of use are being adhered to. 	P. Croston	Fall 2011	<ul style="list-style-type: none"> Revenue is performing an assessment of the feasibility of performing the re-keying of bullet and replacing locks
	P. Croston	Fall 2011	<ul style="list-style-type: none"> Revenue Management is in the process of analyzing the use of the electronic key
	P. Croston	Fall 2011	<ul style="list-style-type: none"> Revenue Management is in the process of analyzing the use of the electronic key
Hardware			
<ul style="list-style-type: none"> It is recommended that when HRT implements an upgrade of the system software referenced below, hardware should be freed up from production use to allow for the creation of a test system. Hardware currently used for the GFI Network Manager system would be sufficient to upgrade the software and two of the servers currently utilized by the GFI TVM VIP system can be reconfigured as the test system. It is recommended that a regular hardware review and upgrade cycle should be instituted to ensure optimal performance of the hardware. The average life-cycle of servers is 5 years, for workstations (data systems) is 4 years and for laptops (PDUs) is 3 years. All of the existing HRT GFI equipment is due for refresh review within the next one to two years and a determination of whether life-cycle approximations match the actual useful life and condition of the hardware should be made. Appropriate budgeting for hardware procurement and asset disposal methods should be determined. It is recommended that HRT replace 100 older GFI "Centsabill" fareboxes that do not contain automatic bill validations to recognize cash inserted by customers leading to higher incidents of operator miss-keying fares and inaccuracies. 	A. Turakhia	September 1, 2011	<ul style="list-style-type: none"> Upgrade was started June 2011 In process - utilization of hardware is being evaluated and managed during the upgrade
	A. Cain	Spring 2012	<ul style="list-style-type: none"> The replacement schedule will be worked on with the input of IT Management - assessment of condition of hardware will be taken into account as well as the warranty remaining on systems Finalization and implementation expected Spring 2012
	A. Cain	Fall 2016	<ul style="list-style-type: none"> \$1.1 Million has been programmed over the next 5 years to address replacement of Centsabill fareboxes. \$250,000.00 is allocated for FY12 to replace an estimated 20 of these fareboxes
Software			
<ul style="list-style-type: none"> It is recommended that HRT implement the upgrade version of the software to allow for the merging of the GFI Network Manager and GFI TVM VIP systems as soon as possible to allow for any necessary configuration changes to occur and be tested prior to the start of Light Rail revenue service. The requirements and costs of the upgrade have been identified. A requisition has been created and can be executed upon identification of funding sources. 	A. Cain/A. Turakhia	September 1, 2011	<ul style="list-style-type: none"> Software upgrade started Jun 2011 Expected completion by September 2011
Software - continued			
<ul style="list-style-type: none"> It is recommended that the Revenue Analyst and the Director of Revenue Services receive targeted training from GFI on the utilization of the GFI system to ensure knowledge of all aspects related to GFI and revenue management are understood. GFI offers training at their Illinois facility and they offer webinars. The type of training and costs should be identified and scheduled as soon as the new revenue analyst is hired. It is recommended that Revenue Services and Transit Operations meet to ensure guidelines for data entry and data correction within the system are understood and are being adhered to. It is recommended that proper staff be identified and assigned to perform daily edit data functions and an assessment as to whether procedural issues or data system configuration issues are causing the data in the system to need correction should be performed. It is recommended that if it is found that procedurally route and run information is being consistently entered incorrectly, then refresher training for bus operators on farebox data entry may be beneficial. Upon upgrade of the GFI system, it is recommended that the Revenue Analyst, in conjunction with the Director of Revenue Services and appropriate IT staff with knowledge of the GFI system, go through a thorough review of the reports housed within the system to ensure accuracy and interpretation of data is consistent. 	P. Croston	September 30, 2011	<ul style="list-style-type: none"> GFI has been contacted and Revenue is working to confirm schedule availability New analyst hired in June 2011
	P. Croston	Ongoing	<ul style="list-style-type: none"> Revenue, Operations, and Planning have been actively working to solidify process for data entry and correction
	Operations	Ongoing	<ul style="list-style-type: none"> Operations Management has identified personnel to perform this function and they are actively working to ensure data issues are monitored and corrected
	Operations	Ongoing	<ul style="list-style-type: none"> Operations Management and Planning are working to perform this function and they are actively working to monitor route and run information and are addressing issues as they arise
	P. Croston/A. Cain	Fall 2012	<ul style="list-style-type: none"> Software is in process of being upgraded and an assessment after a minimum of 6 months of use will be done to determine any lingering issues and items associated with analysis of GFI data The installation of the Virginia Beach mobile vault/bin system will occur by Spring 2012 If deemed necessary, after the installation of the vault and time to monitor the software upgrade, GFI will be asked to perform an assessment as described

II.1 – APPENDIX ITEM 2

PROCUREMENT SYSTEM REVIEW TRACKING MATRIX

13 PAGES FOLLOW



2011 PROCUREMENT SYSTEM REVIEW
CORRECTIVE ACTION TRACKING MATRIX

ITEM No.	ELEMENT	SYSTEM DEFICIENCY	BEST PRACTICES/ADVISORY COMMENTS	CORRECTIVE ACTION	ADDITIONAL SUGGESTION	FTA BPPM REF *	HRT PPM REF **	MILESTONE DATE	RESPONSIBLE PARTY	Status
1	1 - Written Standards of Conduct [FTA C 4220.1F, ¶ III, 1.a.,b.,&c.]	The HRT Personnel Manual contains most of the required conflict of interest coverage. It needs to be expanded to include the underlined portion of the personal conflicts of interest paragraph above (Personal Conflicts of Interest, Gifts, and Violations).	Within 30 days of the date of this report HRT should amend its Personnel Manual to include the expanded coverage of who may not participate in the selection, award, or administration of a contract supported with FTA assistance. It is also advised that HRT should, on an annual basis, require all employees who participate in the procurement process to sign an assurance that they have read, understand, and will comply with HRT's personal conflicts of interest policy.	1. The Personnel Manual will be amended to include expanded coverage of Personal Conflicts of Interest, Gifts, and Violations, identifying who may not participate in the selection, award, or administration of a contract supported with FTA assistance. 2. On an annual basis, HRT will require all employees who participate in the procurement process to sign a certification that they have read, understand, and will comply with HRT's personal conflicts of interest policy. 3. Should it be determined that a personal conflict of interest exists, a process will be implemented to neutralize or mitigate the conflict, i.e. a change in personnel assignment.	Organizational Conflicts of Interest, Section 5.1.e - The coverage on "Organizational Conflicts of Interest" still does not provide guidance on how to avoid or mitigate a potential conflict of interest. An example is to require a "Hardware Exclusion Clause" in any design, specification development, or management consultant type contract when a follow-on contract is contemplated. The clause would prohibit the developer from competing for the resulting contract.	N/A	A.2	6/20/2011- Amended PPM Additional Milestone date of 07/15/2011 to Incorporate additional suggestion per 06/30/2011 email from Review Team	D. Hill K. Burnette	Done
2	Element 2 – Contract Administration System [FTA C 4220.1F, ¶ III. 3.]	HRT does not have a documented contract administration system. Contract administration is a shared function between the program offices and the administrative office that has contract authority. However, specific responsibilities and duties for contract administration are not made specifically clear. Reporting and recording requirements are not specified. Contract administration duties such as tracking contract deliverables, schedules, progress payments with required incurred cost documentation, insurance, inspections, warranties, etc. are not specified. Program personnel are not informed of their authority or lack of authority to make changes to the contract or to direct the contractor within the scope of the contract.	Within 120 days of the date of this report HRT should develop and implement a contract administration system (Manual) to ensure that it and its third party contractors comply with the terms, conditions, and specifications of their contracts or purchase orders and applicable Federal, State and local requirements.	A contract administration system will be fully implemented within the Procurement department, to implement procedures and management controls. The procurement procedures manual will be amended to document the system requirements to include the following: A. incorporation of all contract administration functions from pre-solicitation planning to contract award and administration through close out; B. expansion the contracting authority delegations to include contract administration personnel through the use of a standard letter of delegation listing all functions of responsibility and describing allowed contractual actions by the contract administrator. The designee will be required to sign the letter, which will become permanent procurement record; C. implementation of a written requisition for initiating all new procurement actions, identifying the project manager, funding source, scope of work, and independent cost estimate or identification of the estimator responsible for the independent cost estimate;	Chapter 9 Appx G.3 Appx B.1	PPM Section B B.5 thru B.18	9/20/2011	D. Purcell	In Process	

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**HRT PPM - HRT's Procurement Procedures Manual



**2011 PROCUREMENT SYSTEM REVIEW
CORRECTIVE ACTION TRACKING MATRIX**

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			The Manual should include an effective "Change Control System" which ensures that all contract changes are priced and definitized in a timely manner. If a change cannot be priced before issuance because of some urgency, strict time limits should be set for the submission of the contractor's price proposal and negotiation of the final contract modification. This will prevent the contract modification from becoming a cost-plus-percentage-of-cost arrangement. Such an arrangement exists when a product modification is priced after the work is performed and profit is allowed as a percentage of cost.	D. a detailed review and written approval of solicitations and supporting contract administration files; E. a change control system to ensure contract modifications are priced, negotiated and executed in compliance with regulations, and in a timely manner. F. Issuance of contract administration and project management delegation letters for each contract, which details the responsibilities and authority in the administrative and technical management of the contract. The delegation letters will be maintained in the official contract file. Bi-weekly departmental training sessions will be used to implement contracts administration functional training, beginning with the deficiencies noted in the 2011 PSR and continuing with ongoing training regarding the procurement process. The amended procurement procedures manual and the FTA Best Practices Procurement Manual will be used as training guides.	<u>Appendix G - No. 4</u> - Project Manager's Assignment - This coverage should be very specific regarding the project manager's limits of contract change authority. Please add language specifying the limitations of the project manager's authority to make contract changes	Appx B.2 Appx G.7 Appx B.6 Appx B.7 Appx B.8 Appx G.3 Appx G.4 Appx G.5	6/20/2011- Amended PPM Additional Milestone date of 07/15/2011 to Incorporate additional suggestion per 06/30/2011 email from Review Team			On-Going
3	Element 3 – <i>Written Protest Procedures</i> [FTA Circular 4220.1F, ¶ VII,1.a.(2)]	HRT's policies and procedures regarding protests were not clear with respect to these reporting requirements.	Within 30 days of the date of this report HRT should amend its protest procedures to direct its employees to notify FTA of protests involving FTA funded contracts. Such procedures should include the information required by FTA Circular 4220.1 F.	The Protest section of the procurement procedures manual will be expanded to further clarify and fully detail role and responsibilities regarding reporting and resolving protests. The contract administration system will implement procedures and management controls to ensure compliance.	Chapter 11.1 Appx B.14	B.3.8	6/20/2011	D. Purcell	Done	

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4	Element 6 – <i>Procurement Policies and Procedures</i> [FTA C 4220.1F, ¶ III. 3.a.]	<p>The following FTA requirements, listed by the FTA Circular paragraph number, were either not found or needed clarification: 1. "Organizational Conflicts of Interest. [HRT's policies and procedures contained a definition of organizational conflict of interest but did not provide guidance on how to mitigate or eliminate such conflicts in its contracting.] Architectural Engineering (A&E) Services and Other Services. [HRT's policies and procedures do not clearly define the applicability of, and prohibitions regarding, qualifications-based procurement procedures relative to services such as program management, feasibility studies, preliminary engineering, design, surveying, mapping that do not lead directly to construction.] [HRT's policies and procedures regarding bonds contain a reference to the Virginia Public Procurement Act threshold for bonds at \$250,000. It is not clear that all FTA assisted construction projects must be bonded above the small purchase threshold of \$100,000.] The review found a standard contract clause used in Invitations for Bids which stated that "The Commission may award to other than the low bidder."</p> <p>[This is not appropriate for IFB's. If the contractor is the low bidder and is determined to be responsive and responsible, the award must be made to that contractor. If other evaluation criteria are necessary, IFB is not the appropriate procurement method.]</p>	<p>Within 30 days of the date of this report HRT should develop and implement policies and procedures that include the FTA Circular requirements shown above.</p>	<p>The procurement procedures manual will be expanded to include checklists and templates notes above, to ensure conformance to Virginia Public Procurement Act and FTA Circular 4220.1F. Standard clauses (general conditions) for invitations for bid and requests for proposals will be developed, to include mandatory federal requirements, in compliance with C 4220.1F, to implement procedures and management controls. The procurement procedures manual also will be expanded to include:</p> <ol style="list-style-type: none"> 1. Guidance on Organizational Conflicts of Interest; 2. Clarifications regarding prohibitions of qualifications based procurement procedures outside of construction; 3. Clarification that bonds are required for construction contracts above \$100,000. 	<p><u>Architectural and Engineering - In the Policy</u> <u>Section 6.7.1, A&E, the following needs to be added at the end of the first sentence: "...that are directly in support of, directly connected to, directly related to or lead to construction, alteration or repair of real property." [See FTA C4220.1F VI.3.f.2.]</u></p>	Appx B Appx G Appx G.8	A.5.1(e) B.5(e) B.6.7 B.7	6/20/2011- Amended PPM Additional Milestone date of 07/15/2011 to Incorporate additional suggestion per 06/30/2011 email from Review Team	D. Purcell	Done

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5	Element 7 - <i>Independent Cost Estimate</i>	We reviewed 29 procurement files involving request for proposals, invitation for bids, sole source procurements and small purchases and found 20 files lacked supporting documentation indicating an adequate independent cost estimate had been performed by the recipient before the transit authority received bids or proposals. Our review found the recipient does not use a formal procurement requisition form to initiate the procurement process. This form is generated by the requiring organization. The independent cost estimate must be received before receipt of proposals and supported with detailed information as to its development and/or source; in other words how derived and by whom. The independent cost estimate becomes the first step in the cost/price reasonableness analysis. In the deficient procurement files, the in-house estimates were either not found or were budgetary type numbers without details to support the numbers or the origin of the numbers.	Within 30 days after the date of this report, the recipient should develop procedures and implement management controls to ensure that one of the first steps to be taken in connection with every procurement action is an independent cost or price estimate. This independent estimate should be completed before receiving bids or proposals and should be maintained in the official contract file. The Best Practices Procurement Manual Section 2.3.2 states "A final purpose of the independent cost estimate is for price analysis. Either a cost or price analysis is required for every contract and every change order so that the essential objective of a reasonable price is assured. The adequacy of the price or cost analysis is a critical responsibility of the contracting official. In many contract awards the bids alone may be adequate to assure a reasonable price. However, in all negotiated procurements, most contract changes, and sealed bids where price competition was not sufficient, further analysis is required. An independent cost estimate prepared before receipt of offers is invaluable in these circumstances." The estimate alone may, if prepared with sufficient detail and reliability in the contracting official's judgment, be sufficient to determine whether the price is reasonable. It will at least supplement other pricing data in making the determination of reasonableness. Because cost analysis can be time consuming, expensive, and raise disputes, the availability of an independent pre-bid estimate which enables price analysis and obviates cost analysis is worth material pre-bid effort."	Standard procedures and management controls will be implemented to require assignment of the independent cost estimator prior to beginning any procurement action. Independent cost estimates shall be required to be completed prior to receipt of bids / proposals, and supported with detailed information as to its development and source. The independent cost estimate which will be maintained in the official contract file will be used as the first step in the cost / price analysis. The procurement procedures manual will be expanded to include detailed implementation and guidance of the required process. Training will be implemented, as required.		Chapter 2 Appx B.20	B.5.6 Appx B.1 B.5.6 Appx B.1 Appx B.5 B.5.6 Appx B.5	6/20/2011	D. Purcell	Done
6	Element 13 - <i>Brand Name Restrictions</i>	We reviewed five procurement files involving small purchases, request for proposals, invitation for bids, and sole source procurements using brand names and found two procurement files failed to cite an or equal or a description of the salient physical or functional characteristics needed. If only a brand name was required the files did not contain properly approved sole source justifications.	Within 30 days after the date of this report, the recipient should develop procedures and implement management controls to ensure that when using "brand name or equal" purchase descriptions will carefully identify the recipient's minimum needs and clearly set forth those salient physical and functional characteristics of the brand name product in the solicitation. When using a "brand name" specification, the recipient does not need to reverse-engineer a complicated part to identify precise measurements or specifications in order to describe its salient characteristics. FTA's "Best Practices Procurement Manual," (BPPM) contains additional information on preparation of specifications including examples with specific language.	Standard procedures and management controls will be implemented to establish and use standard general terms and conditions. The general terms and conditions will include a standardized brand name or equal clause. A management control procedure will be implemented to review solicitations in detail, prior to issuance, to ensure compliance. The review process will include ensuring that when using a brand name or equal specification, the solicitation specifications clearly identify minimum needs and salient physical and functional characteristics of the brand named product. The FTA Best Practices Manual will be used as a guide.		Chapter 8	A.5.1.f Appx G.14.74 B.3.4 Appx G.7	6/20/2011	D. Purcell	Done

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7	Element 18 - Award to Responsible Contractors	We reviewed 27 procurement files involving request for proposals, invitation for bids, and sole source procurement and found four files lacked documentation that would indicate a determination had been made that the successful contractor was considered responsible prior to making the award. It should be noted in those files where the recipient had evaluated such responsibility matters as part of the evaluation and award process we found the recipient not deficient. The deficient procurement files lacked a written determination or any indication this issue had been considered.	Within 30 days after the date of this report, the recipient should develop procedures and implement management controls to ensure that awards are made only to responsible contractors. The contractor must be considered responsible in order to receive an award regardless of the procurement method used to select the contractor. To be considered responsible, a contractor must meet all the following requirements: (a) Financial resources adequate to perform the contract, or the ability to obtain them, (b) Ability to meet the required delivery or performance schedule, taking into consideration all existing commercial and government business commitments, (c) A satisfactory performance record, (d) A satisfactory record of integrity and business ethics, (e) The necessary organization, experience, accounting, and operational controls, and technical skills, or the ability to obtain them, (f) Compliance with applicable licensing and tax laws and regulations, (g) The necessary production, construction, and technical equipment and facilities, or the ability to obtain them, (h) Compliance with Affirmative Action and Disadvantaged Business Program requirements and, (i) Other qualifications and eligibility criteria necessary to receive an award under applicable laws and regulations.	Procedures and management controls will be implemented to include a responsibility review check list, which will be used for all contractor evaluations prior to award of a contract. The checklist will require review and confirmation of the following: 1. Excluded parties list; 2. Certificate of insurance and surety; 3. Disadvantaged Business Enterprise participation goals; 4. Financial resources; 5. Bonds 6. Technical qualifications and experience 7. Past performances, to ensure ability to maintain schedule and completion of work; 8. Integrity and business ethics; 9. Operational experience and capability; 10. History of compliance with regulations and requirements 11. Applicable licensing and certifications; 12. Other verifications as may be deemed appropriate. Where appropriate, the written record will state the specific basis for a responsibility determination. When an offer is rejected because the prospective contractor is found to be not responsible, a signed determination of non-responsibility, stating the basis for the determination, with all supporting documentation,	Chapter 5.1	B.10.3 Appx B.3 Appx B.4 Appx B.6	6/20/2011	D. Purcell	Done	
			While the award of a contract itself can in some instances be considered as implicit affirmation that a contractor has been determined to be responsible, where appropriate the written record should state the specific basis for a responsibility determination. When an offer, on which an award would otherwise be made, is rejected because the prospective contractor is found to be not responsible, the recipient should make, sign, and place in the file a determination of non-responsibility, which states the basis for this determination. Documents and reports supporting a determination of responsibility or non-responsibility, including any pre-award survey reports, should be included in the contract file.							



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8	Element 19 - <i>Sound and Complete Agreement</i>	We reviewed 28 procurement files involving request for proposals, invitation for bids, and sole source to determine if the resulting contract(s) formed a sound and complete agreement. Twenty-seven procurement files were found to be adequate in meeting the requirements for this element and one procurement file was found deficient. In that particular procurement file, the contract had been allowed to lapse and the requirement was continued by the issuance of multiple purchase orders without the benefit of a contract supported by all the FTA required sole source approval and procurement documentation.	Within 30 days after the date of this report, the recipient should develop procedures and implement management controls to ensure its requirements are covered by a contract that any resultant award is a sound and complete agreement and reflects the understandings of the parties. The contract should take precedence over all other contract documents. Where applicable, the contract or award documents must include all terms and conditions, the negotiated contract price and payment terms, the final statement of work or specification, the delivery schedules and the required clauses including termination for cause and termination for convenience and the basis for settlement. This document should be, as nearly as possible, a stand-alone document in which all the applicable attachments and exhibits are part of the award. A requirement for management review of proposed contracts is a good method of assuring the completeness and soundness of contracts.	All contracts require approval in accordance with the procurement procedures manual. All contracts will be reviewed by management prior to approval of the contract for issuance. Standard procedures and management controls will be implemented to track all open contracts, to include maintaining visibility and management of contract periods of performance. The management system will ensure that procurement requirements are covered by a sound and complete contract. Within 90 days prior to contract expiration, the project manager will be notified by the contract administrator, to begin closeout of the expiring contract and planning for any continued requirements. New competitive procurements will be enacted for all continuing requirements. Where interim purchase orders become necessary, they will be supported by FTA required sole source justifications, documentation and approvals, which will be maintained in the official contract file.		Chapter 5 Appx G.7 Master Contract List B.14.1	B.12 Appx B.6 Appx B.9	6/20/2011	D. Purcell	Done

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9	Element 21 - Fair and Reasonable Price Determination	We reviewed 11 procurement files involving micro-purchases and found four procurement files did not contain the required minimum documentation stating the price was fair and reasonable and how the determination was derived.	Within 30 days after the date of this report the recipient should develop procedures and implement management controls to ensure that all micro-purchase procurement files contain minimum documentation that the price is fair and reasonable. For micro-purchases a fair and reasonable price determination is made based on price analysis. The Best Practices Procurement Manual, Section 5.2, provides some common price analysis techniques as follows: 1. Comparison of proposed prices received in response to the solicitation. 2. Comparison of prices received with prior procurement actions for the same or similar end items. Prior price comparison may be affected by: ① Changes in economic conditions between the times of the two procurements; 3. Differences in quantities; 4. Inclusion of nonrecurring cost in the prices. To make a fair comparison, nonrecurring costs can be removed from both prices. 5. Comparison with competitive published price lists, published market price of commodities, similar indexes, and discount or rebate arrangements. 6. Comparison of proposed prices with the cost estimates performed prior to the solicitation, although this alone is seldom adequate to warrant a determination that the price is fair and reasonable.	Standard procedures and a management control system will be implemented to verify the completeness of the procurement records, and ensure file documentation is maintained to establish price reasonableness. The procedure will require that micro-purchase procurement files contain written determination that the price is fair and reasonable, including detailing the basis for the determination. A standard form will be developed and implemented for this purpose.		Chapter 4.1	Appx B.5 Appx B.6 Appx B.7 Appx B.8 Appx G.7 Appx B.6 See above	6/20/2011	D. Purcell	Done
10	Element 25 – Adequate Competition - Two or More Bidders	We reviewed nineteen procurement files involving request for proposals and invitations for bids and found two instances where the contract files failed to contain documentation reflecting two or more responsible bidders were not willing and able to compete for the business.	Within 30 days of the date of this report, the recipient should develop procedures and implement management controls to ensure that invitation for bid and request for proposal solicitations are publicly advertised in a timely manner and sent to an adequate number of qualified suppliers. When only one offer is received, the procurement files should be documented to so reflect the reasons why this occurred and what actions are to be taken to mitigate its happening in the future.	Standard procedures and a management control system will be implemented to ensure all small purchases are supported by two or more competitive bids. When competitive bids cannot be obtained, the file shall detail the procurement efforts and document mitigating procedures for obtaining competition. All planned procurement actions estimated to be above \$100,000 will be posted to HRT's website as upcoming, upon receipt of the procurement requisition. Legal notices (ads) will run in appropriate publications, to publish the solicitation. Post solicitation surveys will be completed to document reasons when only 1 or no bids are received. Mitigating actions will be implemented when this occurs. Plan holders lists and survey results will be maintained in the official contract file.		Chapter 4.2	B.6 Appx B.2	6/20/2011	D. Purcell	Done

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CORRECTIVE ACTION TRACKING MATRIX

ITEM No.	ELEMENT	SYSTEM DEFICIENCY	BEST PRACTICES/ADVISORY COMMENTS	CORRECTIVE ACTION	ADDITIONAL SUGGESTION	FTA BPPM REF *	HRT PPM REF **	MILESTONE DATE	RESPONSIBLE PARTY	Status
11	Element 32 – Bid Opening	We reviewed nine procurement files involving invitation for bids and found two procurement files deficient. The deficiency in these procurement files centers on the lack of documentation to support the actual bid opening. There was documentation in the procurement file and or solicitation to support a public opening was contemplated. The seven non deficient files had advertised the public openings and the files contained bid abstracts recording the bid prices. The documentation should also contain evidence of timely opening, persons in attendance, and any anomalies. Further, in this era of heightened security it is more important than ever to not only identify the location and room but also any procedures necessary to gain access to that bid opening location.	Within 30 days after the date of this report, the recipient should develop procedures and implement management controls to insure that solicitations are clear regarding the public bid opening and the procurement files properly document the bid opening. This documentation should include sign-in sheets to reflect attendance by the public or any other officials or any documentation regarding any unusual actions or reactions that may have occurred on the part of potential offerors during the bid opening. The recipient should refer to Best Practices Procurement Manual, Section 4.4.2, for additional details on the process of receiving bids and the opening, reading, and recording of bids. A record of this procedure should be placed in the official procurement file. Overall, the recipient did a good job in this area.	The procurement procedures manual and standard practices will be amended to ensure bid opening documentation is maintained in the official contract file. Review of the contract files to ensure completeness will be an established standard practice and management control procedure. Standard practices will include documentation of unusual actions during bid openings. The documentation will be maintained in the official contract file. Bid opening information is published in the legal notices, on HRT's website, and in the solicitation package. Bid results are read publically and recorded. Sign in sheets and bid opening records will be maintained in the official contract file.	<u>Seal Bids, Section 10.1</u> - Under procedures for sealed bids and competitive proposals, I did not see requirements for public advertising. Please add language requiring public advertising of all bids and proposals. <u>Appendix G - No. 6</u> - Bid Tabulation Summary Form - Should add a "Bid Opening Attendance Form" which should contain the time of bid opening, the HRT Opening Official, and the attendees and their organizations	Chapter 4.4.2	B.10.1 B.10.2	6/20/2011- Amended PPM Additional Milestone date of 07/15/2011 to Incorporate additional suggestion per 06/30/2011 email from Review Team	D. Purcell	Done
12	Element 38 – Sole Source if Other Award is Infeasible	We reviewed nine noncompetitive procurement files involving sole sources and found four procurement files deficient. We were unable in the first deficient file for "Spear" modules to find a sole source justification. In the last three deficient procurement files it was discerned by the recipient the situation was such under a prime contract that it became necessary to contract directly with several subcontractors under said prime contract. The procurement files failed to contain properly justified and approved sole source documents.	Within 30 days after the date of this report, the recipient should develop procedures and implement management controls consistent with the FTA Circular that avoid using sole source procurement except in circumstances where it is both necessary and in the best interest of the recipient. When a noncompetitive procurement is necessary in circumstances other than those in the FTA Circular paragraphs (VI, 3, l(1)(b), shown above, the recipient should ensure that FTA approval is obtained. Before using the sole source method of procurement, first determine that the desired requirements cannot be obtained under small purchase procedures, sealed bids, or competitive proposals. If one of these three methods can be used (or is feasible), sole source is not an option. When the sole source procurement method is used, the files should provide justification for using this method of purchase and for using the particular vendor selected. The file should contain a proper and timely approved sole source justification, which reflects the requirements and periods of performance. Adding additional items or requirements or additional periods of time of performance require additional sole source justification.	Standard procedures and management controls will be implemented to ensure full and open competition in compliance with the FTA Circular 4220.1F, except in cases where it is determined both necessary and in the agency's best interest. When non-competitive procurement is necessary and in HRT's best interest, a written sole source justification, supporting documentation, and required approvals will be maintained in the official contract file.		Chapter 2.4.2	B.6 Appx B.9	6/20/2011	D. Purcell	Done

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**HRT PPM - HRT's Procurement Procedures Manual



**2011 PROCUREMENT SYSTEM REVIEW
CORRECTIVE ACTION TRACKING MATRIX**

ITEM No.	ELEMENT	SYSTEM DEFICIENCY	BEST PRACTICES/ADVISORY COMMENTS	CORRECTIVE ACTION	ADDITIONAL SUGGESTION	FTA BPPM REF *	HRT PPM REF **	MILESTONE DATE	RESPONSIBLE PARTY	Status
13	Element 39 - Cost Analysis Required [Sole Source]	We reviewed nine noncompetitive procurement files and found six procurement files did not contain documentation to support that an adequate cost analysis had been performed. There was no element by element analysis or discussion of the cost or profit and no evidence of any negotiations being conducted. Detailed	Within 30 days after the date of this report, the recipient should develop procedures and implement management controls to ensure that an adequate cost analysis is performed for all sole source procurements. A contract file checklist and a review by the manager or supervisor are a good way of ensuring compliance with this element. The analysis should be documented in the contract or purchase order file. The cost analysis should include an evaluation of labor, materials, other direct costs, overhead rates, G&A rates, and a profit factor. When negotiations take place, the file should be documented to reflect the results of the negotiations and the rationale behind the agreements reached.	A cost analysis checklist will be developed and used to complete required analyses, as a standard procedure. The analyses and supporting documentation will be reviewed and approved by management upon completion, as part of the management control process. A record of negotiation will be included in the procurement summary and maintained in the official contract file. As standard practice, in all non-competitive awards, a most favored customer clause will be included. The procurement procedures manual will be amended to include completion guidelines for		Chapter 2.3.2 and 9.2.2	Appx B.7 Appx B.2 Appx G.7 Appx B.10 B.16	6/20/2011	D. Purcell	Done
14	Element 41 - Cost or Price Analysis	We reviewed 20 procurement files involving request for proposals, invitations for bids and small purchases and found seven deficient procurement files. Basically the deficiency resulted from a general lack of detailed documentation to support the results of a cost or price analysis or whether a cost or price analysis had ever been performed. In those procurement files where adequate competition existed and award was made to the lowest offeror, the recipient was found not deficient; however, the procurement files should be documented to reflect this decision. In files where adequate competition exists and the selection is made, there always exists the possibility that negotiations may be necessary.	Within 30 days after the date of this report, the recipient should develop procedures and implement management controls to ensure that cost or price analysis is conducted, consistent with Federal cost principles, for all applicable procurements and documented in the procurement files.	standard procedures and management controls will be implemented to include the cost or price analysis checklist. The checklist, consistent with federal cost principles, will be implemented to conduct and manage cost or price analyses. Cost and price analyses will be reviewed by management to ensure compliance. Department training will include cost and price analysis. The analyses and supporting documentation will be maintained in the official contract file.		Chapter 2.3.2 and 9.2.2	Appx B.6 Appx B.7 Appx G.7 B.11	6/20/2011	D. Purcell	Done

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15	Element 42 - <i>Written Record of Procurement History</i>	We reviewed 29 procurement files involving request for proposals, invitation for bids, sole source procurements, and small purchases for evidence of a written record of procurement history and found nine files did not contain an adequate procurement history or file documentation. The recommendations for award resulting from the proposal evaluations should explain the basis for the contract price, and any tradeoffs between the technical and cost/price proposals, and why the recipient considers the final price to be fair and reasonable. In some procurement files, the reviewers were able to	Within 30 days after the date of this report, the recipient should develop procedures that facilitate management controls to ensure that procurement files are properly documented with evidence supporting the determinations made during each stage of the procurement process. A complete contract file checklist is a good management review tool to achieve this purpose. The documentation should include: (a) Rationale for the method of procurement; (b) Independent Cost Estimates; (c) Copies of published notices of proposed contract action; (d) The evaluations of bids and selections of firms for negotiations and award; (e) The costs negotiated by the parties and the determination that the price is fair and reasonable; (f) A cost or price analysis, as appropriate; (g) A summary record of negotiations, if appropriate; and (h) All correspondence and data in support of relevant contractual actions. Procurement files should be a complete record of procurement actions and should fully support contractors' bid and price. If written quotes/bids are required, then these should become part of the file. If the procurement action is the result of a contract amendment or exercise of an option, sufficient data should be included to fully support	Standard procedures and management controls will be implemented. The procurement procedures manual will be amended to expand the explanation and requirement for a record of procurement history. A procurement summary checklist will be used to ensure complete and consistent development of the record of the procurement. The checklist will include rationale for the method of procurement; independent cost estimates; copies of published legal notices of the proposed procurement action; bid and proposal evaluation details; price reasonableness determinations; cost or price analyses; record of negotiations; and all supporting correspondence and data. The procurement summary will be maintained in the official contract file.	<u>Appendix B - No. 10 - Record of Procurement History - Date and method of public advertising and date for receipt of bids or proposals should be added.</u>	Chapter 5.4 Appx B.10 Appx B.2	B.16 Appx B.10 Appx B.2	6/20/2011- Amended PPM Additional Milestone date of 07/15/2011 to Incorporate additional suggestion per 06/30/2011 email from Review Team	D. Purcell	Done
16	Element 44 – <i>Out of Scope Changes</i>	We reviewed three contracts resulting from competitive procurements where the contracts were amended and found two procurement files deficient. The two deficient files were by the same contractor under two separate contracts (#30 & #40) for modifications which appeared to have been outside the general scope of the original contract. The contracts awarded after a sealed bid competition was amended to add requirements which were over and above the requirements outlined in the original request and the resultant contract. The added requirements called for work at two sites for communications ductwork. These amendments are considered new work and as such require compliance with FTA requirements for an approved sole source justification, a cost analysis, and cost and profit negotiations none of which were found in the procurement file.	Within 30 days after the date of this report, the recipient should develop and implement management controls to ensure that all contract amendments and change orders are within the scope of the contract. If the change is not within the scope of the original contract, it is considered a cardinal change. Such changes are not properly processed as being within the authority of the Changes clause. Such changes are a sole source and must be processed and handled as new work and treated as sole source procurements whereby appropriate approvals are obtained and that the procurement files are adequately documented. In the event a sole source cannot be justified, a competitive procurement action must be initiated.	A process and review procedure will be implemented to establish standard procedures and management controls to ensure proposed contract modifications and change orders are within the scope of the contract. If the proposed change is outside the original scope, it will be treated as a sole source, with the required sole source justification, cost analysis, documentation of negotiations, and required approvals maintained in the official contract file.		B.11 B.17 Appx B.7 Appx B.8	Appx B.9	6/11/2011	D. Purcell	Open

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2011 PROCUREMENT SYSTEM REVIEW
CORRECTIVE ACTION TRACKING MATRIX

ITEM No.	ELEMENT	SYSTEM DEFICIENCY	BEST PRACTICES/ADVISORY COMMENTS	CORRECTIVE ACTION	ADDITIONAL SUGGESTION	FTA BPPM REF *	HRT PPM REF **	MILESTONE DATE	RESPONSIBLE PARTY	Status
17	Element 45 - Advance Payments	We reviewed 28 procurement files involving request for proposals, invitation for bids, and sole source procurements and found 26 to have complied regarding no payments to contractors prior to the incurrence of costs. However, we found two procurement files where advance payments had occurred. The first deficient file was the contract for the Light Rail Vehicles (LRVs). This particular deficiency was in the payment provisions for the basic contract, as well as for spare parts, tools, and test equipment described in the contract generally as follows: Milestone Description Milestone % : A. Written Notice to Proceed 10%; B. Upon Approval of Project Target Schedules 10% ; C. Upon Approval of Quality Assurance Plan 10% ; D. Contractor's award of sub-contracts for main systems 20% The payments for milestones A through D represent 50% of the contract price of approximately \$36,016,518 or about \$18,000,000. The issuance of the Notice of Award and the Submission of the various schedules and plans and the awarding of sub-contracts would automatically require the payment of 50% of the total contract price before the incurrence of a great deal of such costs, and would therefore be an advance payment. Substantial portions of these plans usually already exist or are accomplished during the proposal preparation phase. The same can be said for the lining up of subcontractors and parts suppliers. The second deficient file was the contract for temporary shelters for Light Rail Vehicles. This contract provided for the payment of 50% of the contract price, or \$23,348, upon award of the contract.	Within 30 days after the date of this report, the grantee should develop procedures and implement management controls to ensure that FTA approvals are obtained prior to entering into any contract, options under a contract, or into any task orders under a contract that contains advance payments where FTA funds are involved. The grantee must renegotiate the current progress payment provisions, eliminating the advance payments, before exercising any future options, or request and receive approval from the FTA to make advance payments.	Standard procedures and management controls will be implemented to ensure that FTA approval is obtained prior to entering into any contract where FTA funds are involved that contains an advance payment clause. Before exercising any future options for rail cars, spare parts, tools, and test equipment, HRT will eliminate the advance payments clause through negotiations, or request and receive FTA approval to make advance payments. The second contract which was found deficient provided for 50% upon award as a standard commercial practice for the product purchased. In the future, where standard commercial practice exists to support the action, the file will be so documented, in accordance with FTA guidelines, and required approvals obtained.		Section 2.4.4.2	B.8.1	6/20/2011	D. Purcell	Done

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CORRECTIVE ACTION TRACKING MATRIX

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18	Element 47 - <i>Time and Materials Contracts</i>	We reviewed seven procurement files involving request for proposals, invitations for bids, and small purchases and found six deficient procurement files. We found a failure to document the use of a time and materials type contracting and a failure to adequately control their cost liability with contract ceilings. These findings fall into two groupings; the first are entire contracts and the second is with contract changes within firm fixed price contracts. In the latter case, the finding is for a portion of these contracts and not the entire contract. Basically the deficiency resulted from a general lack of written documentation to justify the use of a time and materials type of contracting within these contracts and failure to the use of ceiling prices to limit the cost liability within these contracts. Time and materials pricing without a ceiling price is essentially a cost-plus-percentage-of-cost arrangement.	Within 30 days after the date of this report, the recipient should develop procure and implement management controls to ensure that use of time and material type contracting is conducted consistent with Federal cost principles, contracts and change orders have cost ceilings, costs are negotiated and all is documented in the procurement file.	Standard procedures and management controls will be implemented. The procurement procedures manual will be expanded to implement detailed procedures for documenting the use of a time and material type contract. Time and material contract files will include detailed written justification for the use of the methodology. Written procedures will be developed and implemented to control cost liability with contract ceilings (not to exceed pricing) and documented price negotiations, to preclude cost plus percentage of cost arrangements.		Chapter 2.4.3.3	B.6.10 Appx B.8 Appx B.8	6/20/2011	D. Purcell	Done
19	Element 50 - <i>Piggybacking</i>	We reviewed two procurement files involving piggybacking; one for light rail cars from a City of Charlotte, North Carolina contract and the other for Gillig buses from a San Mateo County, California contract. The recipient's deficient procurement file was the bus procurement which failed to contain a price reasonableness determination.	Within 30 days of the date of this report, the recipient should develop procedures and implement management controls to ensure that a determination is made that contract prices remain fair and reasonable at the time the requirement is acquired. FTA has historically encouraged recipients to consider combining efforts in their procurements to obtain better pricing through larger purchases. Recipients must ensure all federal requirements, required clauses, and certifications are properly followed and included in the resulting joint solicitation and contract documents.	Standard procedures and management controls will be implemented. The procurement procedures manual will be expanded to implement additional detailed procedures and management controls for piggybacking, including pre-award steps to determine that contract prices remain fair and reasonable. A copy of the original contract will be reviewed to ensure that all federal requirements, required clauses and certifications are properly followed and included in the contract document. Documentation of the review will be maintained in the official contract file.		Appx B.15 Appx B.12	B.7.2 B.6.9.5.1 Appx B.12	6/20/2011	D. Purcell	Done
20	Pre-Award	We reviewed ten bus procurement files and one light rail car procurement file relative to the required reviews and certifications. Nine of the ten bus procurements were piggyback procurements and one was a joint procurement. None of the Buy America Certifications, the Purchaser's Requirements Certifications, and the required FMVSS Certifications were found in any of nine procurement files. It should be noted in the one light rail car file the Certifications were dated after the award date.	Refer to the Best Practices/Advisory Comments following the Post-Delivery Review Element.	Refer to 21, Post-Delivery.		Appx A.2 Appx B.13	B.16.1 6/20/2011	D. Purcell	Done	

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2011 PROCUREMENT SYSTEM REVIEW
CORRECTIVE ACTION TRACKING MATRIX

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21	Post-Delivery	We reviewed ten bus procurement files and one light rail car procurement file relative to the required reviews and certifications. Nine of the ten bus procurements were piggyback procurements and one was a joint procurement. No Certifications were found in any of the procurement files.	Within 30 days after the date of this report, the recipient should develop procedures and implement management controls to insure compliance with the Pre-Award and Post-Delivery requirements. The FTA Administrator's Dear Colleague Letter C-97-03, dated March 18, 1997, and outlines the steps that a Recipient must take in performing pre-award and post-delivery reviews of rolling stock procurements to ensure their compliance with Buy America Act requirements. This Dear Colleague Letter may be found in Appendix A.2 of the Best Practices Procurement Manual. It must be stressed that Recipients are to document their reviews and include this documentation in their contract files as evidence that they have performed the required reviews. FTA has published manuals that provide detailed guidance to Recipients concerning which Buy America certifications and documents are needed to support the procurement process from issuance of the solicitation to title transfer, as well as the procedures that the Recipient may follow when conducting the pre-award and post-delivery reviews. There are also examples of Buy America calculations and responses to frequently asked questions. The manuals are: Conducting Pre-Award and Post-Delivery Reviews for Bus Procurements; Document No: FTA DC-90-7713-93-1, Rev. B, dated May 1, 1995 and Conducting Pre-Award and Post-Delivery Reviews for Rail Vehicle dated May 1, 1995. It should be noted that in the previous procurement system review (March 2007) a similar finding was made and the recipient responded the Budget and Fiscal Services (BFS) procedures would be amended to ensure compliance.	The procurement procedures manual will be expanded to include detailed procedures for ensuring compliance with pre-award and post-delivery requirements. Procedures will outline the steps to be taken in performing pre-award and post-delivery reviews of rolling stock procurements to ensure compliance. Documentation of the reviews will be maintained in the official contract file.	<u>Appendix B - No. 13 - Pre-Award-Post-Delivery Rule Certifications</u> - This coverage should require that all certifications must be signed by an HRT official.	Appx A.2	B.16.1	6/20/2011- Amended PPM Additional Milestone date of 07/15/2011 to Incorporate additional suggestion per 06/30/2011 email from Review Team	D. Purcell	Done

II.1 – APPENDIX ITEM 3

DRPT COMPLIANCE REVIEW TRACKING MATRIX

2 PAGES FOLLOW

DRPT Compliance Review

Tracking Matrix

July 6, 2011

DRPT				HRT			
Item	Compliance Finding	Finding	Recommendation	Initial Corrective Action Plan	Current Status	HRT Policy #	Responsible Staff
1	Inadequate System of Controls Used to Safeguard Capital Assets	During the compliance review, HRT could not provide documentation that a physical inventory of its vehicles was performed. Subsequent to the compliance review, DRPT performed a review of selected grantees to determine whether their capital assets had been entered into the DRPT asset inventory system. It was during this review that DRPT noted many discrepancies between the capital asset inventory provided by HRT and the information HRT had entered into the DRPT asset inventory system. Details of those discrepancies are included in the hard copy of the letter and omitted from this listing.	HRT must perform and document a physical inventory of its vehicles at least once every two years as is required by the FTA. The results of the inventory should be agreed to the current inventory listing and records should be updated for any differences. HRT must perform a complete review of the process currently utilized to safeguard their capital assets, and implement corrective action on any and all issues noted. If HRT does not have an adequate process set up to track and maintain their assets, then these controls need to be immediately established. This will help to ensure that HRT assets are properly safeguarded.	HRT is in the process of strengthening all of its policies and procedures that affect its physical inventories such that there is better tracking of the actual location of the vehicles, better documentation of the assets purchased and disposed of, as well as a process to maintain reconciled lists between HRT and DRPT asset inventory system.	Asset Management is updated monthly to record all capital assets. HRT has update its Asset Disposal policy and procedures for better tracking and compliance with FTA. HRT is currently performing a reconciliation with its records and OLGA (DRPT's Asset Inventory System).	See attached policy on Capital Asset Management	Barry Herring Hien Hoang
2	Lack of Supporting Documentation for Operating Assistance Final Eligibility Report	HRT could not locate General Ledger reports to support the expenses submitted on their FY 2004 Operating Assistance Final Eligibility Form	HRT must maintain supporting documentation for amounts reported on the Operating Assistance Financial Eligibility Forms during the course of the grant period and for three years thereafter in accordance with the Master Agreement governing the transactions at that time. The Fiscal Year 2010 State Master Agreement now requires the grantee to retain records for a period of four years from the end of the state fiscal year (i.e. June 30) in which the final payment is made for a Project Agreement by the Department to the Grantee, except for records pertaining to facilities and land. Items that do not have proper supporting documentation may be subjected to further review. HRT must also reconcile operating expenses reporting on the Operating Assistance Final Eligibility Forms to their general ledger and financial statements.	HRT will ensure that all documentation for reporting be maintained and available for review by all State, Federal or Local agencies as required for a period of four years from the end of the State's fiscal year.	HRT currently maintains all required documentation that supports the Final Eligibility Report for Operating Assistance electronically for fours years beyond the close of the award year. HRT reconciles the audited general ledger with the final eligibility report. That reconciliation is part of the package submitted with the final report.	See attached policy on Financial Management	Barry Herring Hien Hoang
3	Funds received from DRPT in Advance	HRT requested and received reimbursement from DRPT on three separate occasions related to capital projects before paying the vendor. Per Barry Herring, Chief Accounting Officer at HRT, it is standard practice for HRT to invoice DRPT prior to paying the vendor in relation to large dollar invoices such as buses. The Master Agreement in effect during the time under review required that grantees request payment from DRPT on a reimbursement basis which requires the grantee to pay the vendor before requesting reimbursement of state funds from DRPT.	HRT should have paid the vendor prior to requesting reimbursement from DRPT in accordance with the Master Agreement governing the transactions at that time. The Fiscal Year 2010 State Master Agreement now requires the grantee to remit state funds to vendors within five business days of receipt from DRPT.	HRT will adhere to State Master Agreement governing the transactions and prompt payment of vendors.	HRT pays all vendors (Non Light Rail Project) prior to requesting reimbursement from DRPT as per the FY2010 Master Agreement. Upon receiving DRPT funds for advance payment on the Light Rail Project, HRT pays all vendors within 3 days of receipt.	See attached policy on Capital Asset Management	Barry Herring Sharhonda Rush
4	Funds received from FTA in Advance	HRT is a direct recipient of federal funds and draws down federal funds from the Federal Transit Administration (FTA). HRT did not pay the vendor within three days of receiving funds from the FTA on several different occasions. HRT is required, per FTA guidelines to initiate cash draw downs from the FTA only when actually needed for immediate disbursement for project purposes and to expend funds no later than three business days after receipt of those funds.	HRT must ensure that it has adequate policies and procedures in place that will ensure that vendors are paid within three days after receipt of funds from the FTA. This will ensure that Federal requirements are met. Failure to provide proper supporting documentation may lead to items being subjected to further review and funds may have to be refunded to the federal government.	HRT has policies and procedures in place that affects this finding. HRT currently pays all vendors within the three day rule as required by FTA.	HRT currently pays all vendors within the three day rule as required by FTA.	See attached policy on Financial Management	Barry Herring Hien Hoang

DRPT Compliance Review
Tracking Matrix
July 6, 2011

DRPT				HRT			
Item	Compliance Finding	Finding	Recommendation	Initial Corrective Action Plan	Current Status	HRT Policy #	Responsible Staff
5	Inadequate Cash Management Practices	Ad evidenced by the two findings above, HRT does not have adequate controls in place to monitor cash management practices or the controls are not operating properly. We also found that HRT expended funds to purchase buses before they received a contract from DRPT for the state matching funds. HRT had expected to receive over one million dollars in state matching funds, but later found there were no state matching funds available. The funding for the projects should always be secured with written contracts prior to committing funds. During a recent meeting with HRT we found that HRT had incurred expenses on multiple	HRT must perform a comprehensive review of its cash management practices to ensure compliance with funding partners' rules and regulations, and to minimize the use of HRT's line of credit. Additionally, HRT should never commit funds until they have the funding under contract.	HRT since has taken the necessary measures to correct its processes and to ensure that all future grants have appropriate funding components in place before they are used on a project.	HRT's management strategy incorporates the amount of funding required, the source of funding required, and the timing of funding required. All Projects must consider all elements of cash management prior to approval. HRT does not approve any project without having full commitment of funding sources.	See attached policy on Financial Management	Keisha Branch Sharhonda Rush
6	National Transit Database Information Submitted Late	HRT submitted their annual NTD data late for FY 2004 - FY 2006	HRT must submit their NTD data on or before the date required by NTD. Failure to do so may affect HRT's funding as this data is used in the formula allocation of Federal transit funds.	HRT has made personnel changes as well as procedural changes to ensure that this data is submitted by the deadline. The NTD reporting process requires financial data based on audited annual financial reports and HRT's external audit process which begins in October each years fails to conclude in time to make the NTD reporting deadline. HRT will start its annual external audit	HRT has revised its annual audit timeline in order to provide audited information to support the preparation of the NTD Report.	See attached NTD schedule.	Cathy Young Hien Hoang
7	Lack of Supporting Documentation	HRT could not provide adequate supporting documentation related to requires for state and federal funding for invoices for Projects 72501-2 and 72502-1	HRT must establish comprehensive policies and procedures to ensure that required supporting documentation is maintained and available for review by any Federal and State agency. Failure to provide supporting documentation may lead to items being subjected to further review and possible suspension of state funding and/or questioned costs.	HRT has developed comprehensive policies and procedures to ensure that all required supporting documentation is maintained and available for review by any Federal or State agency.	HRT currently maintains all required documentation that supports its financial transactions. This documentation is maintained for the life of the project.	See attached policy on Financial Management	Sharhonda Rush

II.1 – APPENDIX ITEM 4

FMO REVIEW FINDING TRACKER
1 PAGE FOLLOWS

**FMO Review
Tracking Matrix**

Severity	Staff Responsible	Item Noted	Recommendation	Implementation Timeline	Milestones						
					7/15/2011	8/1/2011	9/1/2011	10/1/2011	11/1/2011	12/1/2011	1/7/2012
Material Weakness	Henry Li/Paul Croston	Deficiencies from Prior Reviews : VDOT OIG Review	1. Address Deficiencies from Other Reviews/Audits	180 days							
	Deborah Purcell	Deficiencies from Prior Reviews : Procurement System Review	1. Address Deficiencies from Other Reviews/Audits	180 days							
	Henry Li/Barry Herring	Deficiencies from Prior Reviews : DRPT Compliance Audit	1. Address Deficiencies from Other Reviews/Audits	180 days							
	Henry Li	Deficiencies from Prior Reviews : FMO Review	1. Address Deficiencies from Other Reviews/Audits	180 days							
					7/15/2011	8/1/2011	9/1/2011	10/1/2011	11/7/2011		
Material Weakness	Sibyl Pappas	Project Management Procedures	1. Develop Organization Wide Project Mgmt. Policy 2. Designate Project Officer 3. Consider using Projects Module in Peoplesoft 4. Reconcile LRT cost to G/L.	120 days							
					7/15/2011	8/1/2011	9/1/2011	10/7/2011			
Significant Deficiency	Henry Li/Sharhonda Rush	Management Oversight of Key Grantee Operations	1. Hire In-House Attorney 2. Hire Internal Auditor 3. Implement formal FTA Training Requirements for all employees with FTA Related Responsibilities	90 days							
Significant Deficiency	Barry Herring/Andy Bollinger	Controls over Fixed Assets & PM	1. Ensure Fixed Asset Records include all required items. 2. Ensure PM is conducted on FTA funded assets and proper mileage and QA reviews performed	90 days							
					7/15/2011	8/1/2011	9/1/2011	10/1/2011	11/7/2011		
Significant Deficiency	Alesia Cain	Information Technology	1. Develop Formal Disaster Recovery Plan for Peoplesoft 2. Develop procedures to identify events that are required to be logged by the Financial System. 3. Perform Environmental Controls testing	120 days							
					7/15/2011	8/1/2011	9/1/2011	10/7/2011			
Significant Deficiency	Henry Li/Sharhonda Rush	Self Assessment of Internal Controls	1. Hire Internal Auditor 2. Conduct Periodic Internal Control Self-Assessments 3. Implement corrective action plans to document and track findings from all FTA related reviews	90 days							
					7/15/2011	8/1/2011					
Significant Deficiency	Henry Li/Sharhonda Rush	Time Reporting Methodology/Approval	1. Develop process to identify what time is chargeable to a specific grant 2. Implement process whereby timesheets are signed and approved for employees charging to time to FTA grants	30 days							
					7/15/2011	8/1/2011	9/1/2011	10/1/2011	11/1/2011	12/1/2011	1/7/2012
Advisory	Hien Hoang	Fixed Asset Disposals	1. Update procedures to require determination of independent fair market values before disposals are made.								
Advisory	Brandon Singleton	Budget Monitoring	1. Require Commission Approval of the Capital Budget annually 2. Determine standard threshold against which budget to-actual results can be measured and communicated to the Commission.								
Advisory	Sharhonda Rush/Juanita Davis	Allocation of Grant Expenses - CNFA/FFGA for LRT	1. Document process for determining which eligible project costs get charged to Federal grants								

II.2 – APPENDIX ITEM 1

LIGHT RAIL PROJECT SUMMARY REPORT

MAY 31, 2011

1 PAGE FOLLOWS

Tab A.1 - Contributions Allocation
(Distributed June 22, 2011)

SCC Code	Description	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20		
		BASELINE			Cost-to-Complete	CONTRACT COMMITMENTS						FFGA Budget Variance	TOTAL EXPENDED						Current Available Budget				
		FFGA YOE \$ without Allocated Contingency	Allocated Contingency In YOE \$	FFGA YOE \$ including Allocated Contingency		Bass Contract or Commitments			Change Orders				Current Contract or Commitments			FFGA			CNFA				
		(1 + 2)	(1 + 2)	(1 + 2)		(6 + 7)	(6 + 7)	(6 + 7)	(5 + 8)	(5 + 8)	(5 + 8)		(3 - 9)	(3 - 9)	(11 + 12)	(11 + 12)	(11 + 12)	(11 + 12)	(11 + 12)	(11 + 12)	(11 + 12)	(4 - 19)	
80.01	URS - Preliminary Engineering Work (2000 through 2006)	\$ 9,032,000	\$ -	\$ 9,032,000	\$ 8,754,000	\$ 8,754,000	\$ -	\$ -	\$ -	\$ 8,754,000	\$ 278,000	\$ 8,754,000	\$ -	\$ 8,754,000	\$ -	\$ -	\$ 8,754,000	\$ -	\$ 8,754,000	\$ -	\$ -		
80.02	PB/URS - Final Design; Atkins formerly PBS&J - Design Assignments and Final Design; MMM, McDean, HKC, LTK, Good Harbor, PHR+A Design Assignments	\$ 7,737,148	\$ 852	\$ 7,738,000	\$ 18,796,997	\$ 8,627,361	\$ 8,308,051	\$ -	\$ 8,308,051	\$ 16,935,412	\$ (9,197,412)	\$ 15,505,600	\$ 112,445	\$ 15,618,045	\$ 232,475	\$ 28,943	\$ 261,419	\$ 15,738,075	\$ 141,388	\$ 15,879,484	\$ 2,917,533		
80.03	Atkins formerly PBS&J - Program Management, Project Management, and Consultant Management	\$ 5,346,530	\$ 534,470	\$ 5,881,000	\$ 21,781,172	\$ 13,101,770	\$ 11,414,245	\$ -	\$ 11,414,245	\$ 24,516,015	\$ (18,635,015)	\$ 20,490,741	\$ 267,267	\$ 20,758,008	\$ 389,954	\$ 31,392	\$ 421,346	\$ 20,880,696	\$ 298,659	\$ 21,179,354	\$ 601,818		
80.06	Legal, Permits, Review Fees	\$ 1,031,820	\$ 103,180	\$ 1,135,000	\$ 1,135,000	\$ 625,000	\$ -	\$ -	\$ -	\$ 625,000	\$ 510,000	\$ 396,112	\$ 4,053	\$ 400,185	\$ -	\$ 522	\$ 522	\$ 396,112	\$ 4,575	\$ 400,185	\$ 734,313		
60.01	NRHA - Purchase or Lease of Real Estate	\$ 5,408,000	\$ -	\$ 5,408,000	\$ 11,589,668	\$ 4,870,720	\$ -	\$ -	\$ -	\$ 4,870,720	\$ 535,280	\$ 8,780,164	\$ 17,100	\$ 8,797,264	\$ -	\$ -	\$ -	\$ 8,780,164	\$ 17,100	\$ 8,797,264	\$ 2,792,404		
60.02	Relocate Existing Households & Businesses	\$ 308,000	\$ -	\$ 308,000	\$ 760,799	\$ 308,000	\$ -	\$ -	\$ -	\$ 308,000	\$ 788,307	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 788,307	\$ -	\$ 788,307	\$ (27,508)		
70.01	Siemens Contract 120 Light Rail Vehicles	\$ 36,015,000	\$ -	\$ 36,015,000	\$ 36,016,518	\$ 30,857,014	\$ 5,194,504	\$ -	\$ 5,194,504	\$ 36,051,518	\$ (36,518)	\$ 31,766,452	\$ 90	\$ 31,766,542	\$ -	\$ -	\$ -	\$ 31,766,452	\$ 90	\$ 31,766,542	\$ 4,249,976		
Varies	Construction Contracts	\$ 112,850,004	\$ 15,707,996	\$ 128,558,000	\$ 185,761,420	\$ 145,117,338	\$ 35,553,708	\$ 707,302	\$ 36,261,009	\$ 181,378,347	\$ (50,700,440)	\$ 143,932,305	\$ 2,018,900	\$ 145,951,205	\$ 25,893,558	\$ 520,818	\$ 26,414,377	\$ 169,825,863	\$ 2,539,718	\$ 172,365,581	\$ 13,395,839		
	Higginson-Buchanan Contract 10 Grandy Village Wetland Mitigation	\$ 497,273	\$ 49,727	\$ 547,000	\$ 536,130	\$ 539,989	\$ (3,859)	\$ -	\$ (3,859)	\$ 536,130	\$ 10,870	\$ 536,130	\$ -	\$ 536,130	\$ -	\$ -	\$ 536,130	\$ -	\$ 536,130	\$ 0			
	Bryant Contracting Contract 20 Viaduct, Harbor Park to NSU	\$ 11,978,292	\$ 1,843,787	\$ 13,822,059	\$ 15,715,333	\$ 11,716,299	\$ 3,999,034	\$ -	\$ 3,999,034	\$ 15,715,333	\$ (1,893,274)	\$ 14,505,884	\$ -	\$ 14,505,884	\$ 1,220,300	\$ -	\$ 1,220,300	\$ 15,726,184	\$ -	\$ 15,726,184	\$ (10,851)		
	Skanska USA Contract 40 Supplement NSRR Property, NSU to Newtown Rd	\$ 34,472,842	\$ 4,435,529	\$ 38,908,371	\$ 43,216,754	\$ 41,157,368	\$ 2,059,386	\$ -	\$ 2,059,386	\$ 43,216,754	\$ (4,308,383)	\$ 37,203,526	\$ -	\$ 37,203,526	\$ 3,764,216	\$ -	\$ 3,764,216	\$ 40,967,742	\$ -	\$ 40,967,742	\$ 2,249,012		
	Skanska USA Contract 40 Central Business District, EVMC to Harbor Park	\$ 21,426,177	\$ 2,911,818	\$ 24,337,995	\$ 54,205,853	\$ 42,415,443	\$ 12,378,882	\$ 4,206	\$ 12,383,088	\$ 54,798,531	\$ (30,460,536)	\$ 45,630,620	\$ -	\$ 45,630,620	\$ 10,642,798	\$ -	\$ 10,642,798	\$ 56,273,419	\$ -	\$ 56,273,419	\$ (2,067,566)		
	PHR+A Contract 07-46527A T1 Noise & Vibration Analysis	\$ -	\$ -	\$ -	\$ 301,155	\$ 184,886	\$ 116,269	\$ -	\$ 116,269	\$ 301,155	\$ (301,155)	\$ 286,246	\$ -	\$ 286,246	\$ -	\$ -	\$ 286,246	\$ -	\$ 286,246	\$ 14,909			
	PHR+A Contract 07-46527A T4 Asbestos Project Monitoring	\$ -	\$ -	\$ -	\$ 91,383	\$ 91,383	\$ -	\$ -	\$ 91,383	\$ 91,383	\$ (91,383)	\$ 80,590	\$ -	\$ 80,590	\$ -	\$ -	\$ 80,590	\$ -	\$ 80,590	\$ 10,793			
	DNC Contract 50653 Business Access Signage	\$ -	\$ -	\$ -	\$ 44,119	\$ 44,119	\$ -	\$ -	\$ 44,119	\$ 44,119	\$ (44,119)	\$ 38,230	\$ -	\$ 38,230	\$ -	\$ -	\$ 38,230	\$ -	\$ 38,230	\$ 5,889			
	Truland Systems Contract 60 LRT Systems, EVMC to Newtown Rd	\$ 25,387,049	\$ 3,795,805	\$ 29,182,854	\$ 41,499,237	\$ 27,733,140	\$ 13,212,187	\$ (376)	\$ 13,211,811	\$ 40,944,951	\$ (11,762,098)	\$ 29,977,071	\$ 1,467,138	\$ 31,444,209	\$ 6,206,937	\$ 431,183	\$ 6,638,120	\$ 36,184,009	\$ 1,898,321	\$ 38,082,329	\$ 3,416,908		
	WM Schlosser Contract 80 Light Rail Shop & Storage Yard	\$ 8,228,838	\$ 1,234,325	\$ 9,463,163	\$ 14,661,328	\$ 10,966,000	\$ 2,742,261	\$ 84,118	\$ 2,826,379	\$ 13,792,379	\$ (4,329,216)	\$ 10,345,234	\$ 511,387	\$ 10,856,821	\$ 2,130,672	\$ 89,635	\$ 2,220,307	\$ 12,475,906	\$ 601,022	\$ 13,076,928	\$ 1,584,400		
	Contract 100 Park & Ride Lots	\$ 5,522,510	\$ 828,376	\$ 6,350,886	\$ 4,044,775	\$ 987,106	\$ -	\$ -	\$ -	\$ 987,106	\$ 5,363,780	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,044,775		
	E.V. Williams Contract 100A Newtown Road Park & Ride Lot	\$ -	\$ -	\$ -	\$ 1,222,057	\$ 1,222,057	\$ (12,000)	\$ 368,650	\$ 356,650	\$ 1,578,707	\$ (1,578,707)	\$ -	\$ 40,375	\$ 40,375	\$ -	\$ -	\$ -	\$ -	\$ 40,375	\$ 40,375	\$ 1,181,682		
	AR&M Contract 100B Ballentine Blvd Park & Ride Lot	\$ -	\$ -	\$ -	\$ 474,318	\$ 474,318	\$ -	\$ -	\$ 474,318	\$ (474,318)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 474,318		
	A & W Contractors Contract 100C1 Military Highway Park & Ride Lot Phase I	\$ -	\$ -	\$ -	\$ 300,000	\$ 300,000	\$ -	\$ -	\$ 300,000	\$ (300,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 300,000		
	E.V. Williams Contract 100C2 Military Highway Park & Ride Lot Phase II	\$ -	\$ -	\$ -	\$ 651,654	\$ 651,654	\$ -	\$ -	\$ 651,654	\$ (651,654)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 651,654		
	Contracting Solutions Contract 100D Newtown Road Park & Ride Lot Employee Restrooms	\$ -	\$ -	\$ -	\$ 120,712	\$ 120,712	\$ -	\$ -	\$ 120,712	\$ (120,712)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120,712		
	WM Schlosser Contract 110 LRT Station Finishes	\$ 3,557,975	\$ 533,696	\$ 4,091,671	\$ 4,583,605	\$ 3,955,000	\$ 370,060	\$ 247,209	\$ 617,269	\$ 4,572,269	\$ (480,598												

II.2 – APPENDIX ITEM 2

LIGHT RAIL PROJECT SUMMARY REPORT

DECEMBER 31, 2010

1 PAGE FOLLOWS

SCC Code	Description	BASELINE			Cost-to- Complete	CONTRACT COMMITMENTS			FFGA Budget Variance	TOTAL EXPENDED												Current Available Budget	
		FFGA YOE \$\$ without Allocated Contingency	Allocated Contingency In YOE \$\$	FFGA YOE \$\$ Including Allocated Contingency		Base Contract or Commitments	Change Orders				FFGA			CNFA			FFGA + CNFA						
							Previous Period	This Period	To Date	Previous Period	This Period	To Date	Previous Period	This Period	To Date	Previous Period	This Period	To Date					
		(1+2)		(1+2)			(6+7)		(6+7)	(5+8)	(3-8)		(11+12)		(14+15)	(11+14)	(12+15)	(13+16)	(4-19)				
		\$ 9,032,000	\$ -	\$ 9,032,000	\$ 8,754,000	\$ 8,754,000	\$ -	\$ -	\$ -	\$ 8,754,000	\$ 278,000	\$ 8,754,000	\$ -	\$ 8,754,000	\$ -	\$ -	\$ 8,754,000	\$ -	\$ 8,754,000	\$ -	\$ 8,754,000	\$ -	
80.01	URS - Preliminary Engineering Work (2000 through 2006)	\$ 9,032,000	\$ -	\$ 9,032,000	\$ 8,754,000	\$ 8,754,000	\$ -	\$ -	\$ -	\$ 8,754,000	\$ 278,000	\$ 8,754,000	\$ -	\$ 8,754,000	\$ -	\$ -	\$ 8,754,000	\$ -	\$ 8,754,000	\$ -	\$ 8,754,000	\$ -	
80.02	PB/URS - Final Design; PBS&J - Design Assignments and Final Design, MMM, McDean, HKC Design Assignments	\$ 7,737,148	\$ 852	\$ 7,738,000	\$ 18,796,997	\$ 8,594,902	\$ 7,879,225	\$ 152,300	\$ 8,031,525	\$ 16,626,427	\$ (8,888,427)	\$ 15,030,247	\$ 109,075	\$ 15,139,321	\$ 110,121	\$ 28,075	\$ 138,197	\$ 15,140,368	\$ 137,150	\$ 15,277,518	\$ 3,519,479		
80.03	PBS&J - Program Management, Project Management, and Consultant Management	\$ 5,346,530	\$ 534,470	\$ 5,881,000	\$ 21,781,172	\$ 13,064,267	\$ 11,414,245	\$ -	\$ 11,414,245	\$ 24,478,512	\$ (18,597,512)	\$ 19,484,657	\$ 302,240	\$ 19,786,897	\$ 192,242	\$ 15,246	\$ 207,488	\$ 19,676,899	\$ 317,486	\$ 19,994,385	\$ 1,786,787		
80.06	Legal, Permits, Review Fees	\$ 1,031,820	\$ 103,180	\$ 1,135,000	\$ 1,135,000	\$ 625,000	\$ -	\$ -	\$ -	\$ 625,000	\$ 510,000	\$ 395,003	\$ -	\$ 395,003	\$ -	\$ -	\$ 395,003	\$ -	\$ -	\$ 395,003	\$ 739,997		
60.01	NRHA - Purchase or Lease of Real Estate	\$ 10,406,000	\$ -	\$ 10,406,000	\$ 16,593,110	\$ 9,870,720	\$ -	\$ -	\$ -	\$ 9,870,720	\$ 535,280	\$ 13,278,995	\$ 89,276	\$ 13,368,272	\$ -	\$ -	\$ -	\$ 13,278,995	\$ 89,276	\$ 13,368,272	\$ 3,224,838		
60.02	Relocate Existing Households & Businesses	\$ 308,000	\$ -	\$ 308,000	\$ 760,799	\$ 308,000	\$ -	\$ -	\$ -	\$ 308,000	\$ -	\$ 788,307	\$ -	\$ -	\$ -	\$ -	\$ 788,307	\$ -	\$ -	\$ 788,307	\$ (27,508)		
70.01	Siemens Contract 120 Light Rail Vehicles	\$ 36,015,000	\$ -	\$ 36,015,000	\$ 36,403,518	\$ 31,004,309	\$ 5,194,504	\$ -	\$ 5,194,504	\$ 36,198,813	\$ (183,813)	\$ 31,760,564	\$ -	\$ 31,760,564	\$ -	\$ -	\$ 31,760,564	\$ -	\$ -	\$ 31,760,564	\$ 4,642,954		
Construction Contracts		\$ 112,850,004	\$ 15,707,996	\$ 128,558,000	\$ 192,511,320	\$ 152,019,210	\$ 34,268,930	\$ 519,433	\$ 34,788,363	\$ 186,807,582	\$ (58,249,583)	\$ 125,986,036	\$ 2,861,311	\$ 128,847,347	\$ 21,759,712	\$ 666,079	\$ 22,425,791	\$ 147,745,747	\$ 3,527,390	\$ 151,273,137	\$ 41,238,183		
Varies	Higgerson-Buchanan Contract 10 Grandy Village Wetland Mitigation	\$ 497,273	\$ 49,727	\$ 547,000	\$ 536,130	\$ 539,989	\$ (3,859)	\$ -	\$ (3,859)	\$ 536,130	\$ 10,870	\$ 536,130	\$ -	\$ 536,130	\$ -	\$ -	\$ 536,130	\$ -	\$ 536,130	\$ 536,130	\$ 0		
	Bryant Contracting Contract 20 Viaduct, Harbor Park to NSU	\$ 11,978,292	\$ 1,843,767	\$ 13,822,059	\$ 15,769,838	\$ 11,716,299	\$ 4,423,325	\$ 17,522	\$ 4,440,847	\$ 16,157,147	\$ (2,335,088)	\$ 14,480,854	\$ -	\$ 14,480,854	\$ 1,216,655	\$ -	\$ 1,216,655	\$ 15,697,509	\$ -	\$ 15,697,509	\$ 72,329		
	Skanska USA Contract 40 Supplement NSRR Property, NSU to Newtown Rd Previously Contract 30	\$ 34,472,842	\$ 4,435,529	\$ 38,908,371	\$ 43,216,754	\$ 41,157,368	\$ 2,059,386	\$ -	\$ 2,059,386	\$ 43,216,754	\$ (4,308,383)	\$ 37,203,526	\$ -	\$ 37,203,526	\$ 3,764,216	\$ -	\$ 3,764,216	\$ 40,967,742	\$ -	\$ 40,967,742	\$ 2,249,012		
	Skanska USA Contract 40 Central Business District, EVMC to Harbor Park	\$ 21,426,177	\$ 2,911,818	\$ 24,337,995	\$ 54,149,551	\$ 42,415,443	\$ 11,105,508	\$ 340,088	\$ 11,445,596	\$ 53,861,039	\$ (29,523,044)	\$ 41,047,247	\$ -	\$ 41,047,247	\$ 10,225,109	\$ -	\$ 10,225,109	\$ 51,272,356	\$ -	\$ 51,272,356	\$ 2,877,195		
	PHR+A Contract 07-46527A T1 Noise & Vibration Analysis	\$ -	\$ -	\$ -	\$ 301,155	\$ 184,886	\$ 116,269	\$ -	\$ 116,269	\$ 301,155	\$ (301,155)	\$ 286,246	\$ -	\$ 286,246	\$ -	\$ -	\$ -	\$ 286,246	\$ -	\$ -	\$ 286,246	\$ 14,909	
	PHR+A Contract 07-46527A T4 Asbestos Project Monitoring	\$ -	\$ -	\$ -	\$ 91,383	\$ 91,383	\$ -	\$ -	\$ -	\$ 91,383	\$ (91,383)	\$ 80,590	\$ -	\$ 80,590	\$ -	\$ -	\$ 80,590	\$ -	\$ -	\$ 80,590	\$ 10,793		
	DNC Contract 50653 Business Access Signage	\$ -	\$ -	\$ -	\$ 44,119	\$ 44,119	\$ -	\$ -	\$ -	\$ 44,119	\$ (44,119)	\$ 38,230	\$ -	\$ 38,230	\$ -	\$ -	\$ 38,230	\$ -	\$ -	\$ 38,230	\$ 5,889		
	Truland Systems Contract 60 LRT Systems, EVMC to Newtown Rd	\$ 25,387,049	\$ 3,795,805	\$ 29,182,854	\$ 41,499,237	\$ 27,733,140	\$ 13,212,187	\$ -	\$ 13,212,187	\$ 40,945,327	\$ (11,762,474)	\$ 22,393,013	\$ 1,387,281	\$ 23,780,294	\$ 3,978,028	\$ 407,714	\$ 4,385,741	\$ 26,371,041	\$ 1,794,994	\$ 28,166,035	\$ 13,333,202		
	WM Schloesser Contract 80 Light Rail Shop & Storage Yard	\$ 8,228,838	\$ 1,234,325	\$ 9,463,163	\$ 14,661,328	\$ 10,966,000	\$ 2,620,860	\$ -	\$ 2,620,860	\$ 13,586,860	\$ (4,123,697)	\$ 4,692,958	\$ 1,474,031	\$ 6,166,989	\$ 1,139,951	\$ 258,366	\$ 1,398,316	\$ 5,832,909	\$ 1,732,396	\$ 7,565,305	\$ 7,096,023		
	Contract 100 Park & Ride Lots	\$ 5,522,510	\$ 828,376	\$ 6,350,886	\$ 7,182,016	\$ 3,755,847	\$ -	\$ -	\$ -	\$ 3,755,847	\$ 2,595,039	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,182,016		
	WM Schloesser Contract 110 LRT Station Finishes	\$ 3,557,975	\$ 533,696	\$ 4,091,671	\$ 4,526,184	\$ 3,955,000	\$ 142,303	\$ 161,823	\$ 304,126	\$ 4,259,126	\$ (167,455)	\$ 1,461,751	\$ -	\$ 1,461,751	\$ 1,056,246	\$ -	\$ 1,056,246	\$ 2,517,997	\$ -	\$ 2,517,997	\$ 2,008,187		
	Contract 130 Systemwide Fare Vending Equip	\$ 1,479,048	\$ 73,952	\$ 1,553,000	\$ 1,553,000	\$ 1,400,000	\$ -	\$ -	\$ -	\$ 1,400,000	\$ 153,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,553,000		
	BB Cox Contract 150 Demolition	\$ 300,000	\$ 1,001	\$ 301,001	\$ 1,512,315	\$ 926,194	\$ 586,121	\$ -	\$ 586,121	\$ 1,512,315	\$ (1,211,314)	\$ 1,312,685	\$ -	\$ 1,312,685	\$ 199,630	\$ -	\$ 199,630	\$ 1,512,315	\$ -	\$ 1,512,315	\$ (0)		
	H&B Railroad Contract 160 Temporary Siding Track	\$ -	\$ -	\$ -	\$ 354,576	\$ 48,750	\$ 4,980	\$ -	\$ 4,980	\$ 53,730	\$ (53,730)	\$ 53,730											

II.2 – APPENDIX ITEM 3

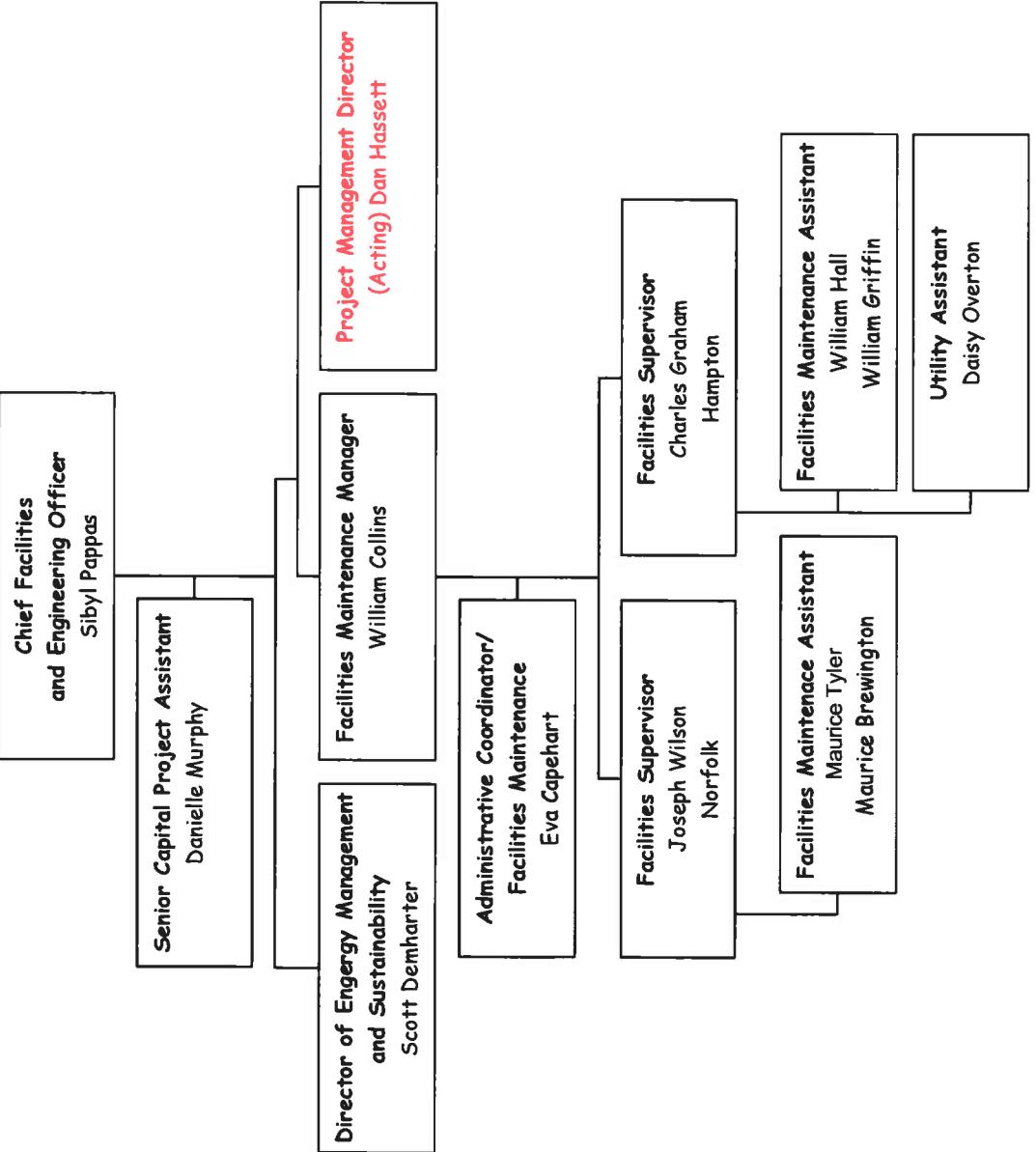
**PROJECT MANAGEMENT ACTION PLAN &
ORGANIZATIONAL CHART**

2 PAGE FOLLOWS

FTA Related Reviews
Project Management Finding

Project Management - Reporting - In Progress:				1	Milestones/Updates									
Source	Item #	Recommendation	Category	Responsible Staff	Corrective Action Plan	6/1/2011	7/1/2011	7/15/2011	7/29/2011	8/12/2011	8/26/2011	9/9/2011	9/23/2011	
		We recommend the Grantee:												
FMO Review	2	1. Develop formal organization wide Project Management Policy to include best practice processes for managing and executing all projects	Material Weakness	Sibyl Pappas	The policy and procedures manual will document project management methodology, targeted at developing and implementing a consistent and standardized process of managing the project. To establish the manual, HRT will contact peer agencies to get best practices, review FTA Circulars and guiding documents, investigate training opportunities including NTI and others.	Researching various sources to determine Best Practice Processes for Project Management	Registered 2 staff members to attend NTI's Project Management for Transit Professional in Phoenix - October 4 & 5th.							
	2	2. Designate an overall project officer with the expertise to oversee major projects and with the authority to enforce compliance with project management best practices organization wide.			Sibyl Pappas designated as Project Management Executive. Sibyl will lead the initiative to improve the current state of Project Management.	Sibyl Pappas (Chief Environmental & Facilities Officer) was designated as the agency-wide project mgmt executive to oversee major projects management, implement best practices, and enforce the compliance with Federal and State regulations.	Identified 3 additional staff members to assist with developing Project Management processes. 2 Finance members and 1 Construction Engineer.							
	2	3. Consider employing the PeopleSoft Projects module to streamline the management of all projects and integrate them with the General Ledger.			The goal is to reach an efficient and disciplined approach to software management. Software programs should be integrated to the greatest extent practicable. HRT stakeholders will be interviewed to identify needs and peer agencies will be contacted to get best practices.	RFP was issued on May 26, 2011 for PS Projects Functional Consultant	Received 2 Bids and the Project Management Review Team evaluated and rated submissions' interviews are scheduled within the next couple of weeks							
	2	4. Reconcile the Light Rail Project cost to the PeopleSoft General Ledger			Already working with AECOM to resolve, will monitor progress	AECOM has reviewed all transactions and will determine next steps required	Received email from AECOM which contains the discrepancy analysis - Finance to review and provide feedback to AECOM.							

Facilities and Engineering



III.1 – APPENDIX ITEM 1

Website Article: www.gohrt.com – June 24, 2011 – HRT Board approves hire of in-house lawyer

The screenshot shows the HRT website homepage with a green navigation bar at the top. The main content area displays an article titled "HRT board approves hire of in-house lawyer". The article is dated June 24, 2011, and is attributed to Debbie Messina of The Virginian-Pilot. The text discusses HRT's decision to hire Brian K. Jackson as its first in-house lawyer, replacing Williams Mullen. It mentions that Jackson's annual salary is \$235,000, and the change will save the agency about \$500,000 a year. The article also notes that Jackson's salary is higher than other city attorneys in the area. A sidebar on the left lists recent articles and a monthly archive of news from June 2011.

HRT board approves hire of in-house lawyer

Hampton Roads Transit > Articles > HRT board approves hire of in-house lawyer

By Debbie Messina
The Virginian-Pilot
© June 24, 2011
HAMPTON

Hampton Roads Transit hired its first in-house lawyer Thursday after agreeing earlier this year to end its decades-long relationship with the Williams Mullen law firm out of frustration over paying millions of dollars for legal advice that board members weren't happy with.

Brian K. Jackson, Richmond-based Ukrop's Super Markets' vice president and general counsel, was unanimously approved by HRT's board at an annual salary of \$235,000.

HRT President and CEO Philip Shucet estimates the change will save the transit agency about \$500,000 a year.

Jackson will be paid more than any city attorney in South Hampton Roads, whose salaries range from the \$124,900 paid to Suffolk's C. Edward Roettger Jr. to the \$185,000 made by Virginia Beach's Mark Stiles.

Shucet said it's not fair to compare Jackson's salary to city attorneys' salaries.

"I think Brian Jackson's salary for the expertise and experience he's bringing to an agency that requires that expertise and experience is a fair one," he said. "Brian Jackson will not have any attorneys to manage; he will be the attorney doing the work. It's not more or less work, it's just different."

HRT has paid Williams Mullen an average of more than \$700,000 a year over the past three years for legal work, excluding work related to light rail. That work included labor union negotiations, accident claims, lawsuits, workers' compensation and general board issues. Including light rail, HRT paid Williams Mullen \$6.6 million over the past 4-1/2 years. The law firm's work will be phased out by the end of the calendar year, when its contract with HRT expires.

Board members said they favored the change to in-house counsel to save money but also because they were not completely satisfied with the counsel provided. The agency is defending several lawsuits challenging the way it condemned property for light rail. And Williams Mullen advised HRT it did not have a strong enough case to prosecute a suspected theft of bus fares; two former employees are now charged with embezzlement.

Recent Articles / Alerts

- Light rail cars on the move
- Norfolk bicyclist runs into, scrapes light-rail train
- HRT reveals evidence in drunk-driving case two years later
- Safety on and off the light rail tracks
- HRT board approves hire of in-house lawyer

Archives

- June 2011
- May 2011
- April 2011
- March 2011
- February 2011
- January 2011
- December 2010
- November 2010

III.2 – APPENDIX ITEM 1

**PREVENTIVE MAINTENANCE COMPREHENSIVE ACTION
PLAN**

1 PAGE FOLLOWS

**Preventive Maintenance
Comprehensive
Action Plan**

					MILESTONES/UPDATES				
Task# 1	Preventive Maintenance Schedule	Responsibility	Target Start Date	7/1/2011	7/15/2011	8/1/2011	8/15/2011	8/31/2011	
	Norfolk PMI Schedule a) 5,400 mile/45 day cycle - buses b) 3,000 mile - service vehicles	Director of Maintenance - Andy Bollinger		In Progress					
	Hampton PMI Schedule a) 5,400 mile/45 day cycle - buses b) 3,000 mile - service vehicles	Director of Maintenance - Andy Bollinger		In Progress					
	Verify the information used to develop the forecast date and ensure that the PMI are completed within the correct time frame and mileage requirements.	Director of Maintenance - Andy Bollinger	7/10/2011						
Task# 2	Work Order Process	Responsibility	Target Start Date	7/1/2011	7/15/2011	8/1/2011	8/15/2011	8/31/2011	
	Schedule for monthly PM inspection determined by previous data	Director of Maintenance - Andy Bollinger	7/1/2011						
	PM inspection work orders printed from Spear	Director of Maintenance - Andy Bollinger		In Progress					
	Work orders given to Shift Supervisors based on predetermined schedule	Director of Maintenance - Andy Bollinger		In Progress					
	Supervisor assigns work orders to mechanic	Shift Supervisor		In Progress					
	Time stamp to be placed on work order when dispatched to mechanic	Shift Supervisor		In Progress					
	All parts required will be recorded and approved by Supervisor	Shift Supervisor		In Progress					
	Time stamp will be recorded when PM inspection is completed and work order returned to supervisor.	Shift Supervisor		In Progress					
	Supervisor will verify work is completed, parts are changed, and close work order.	Shift Supervisor		In Progress					
	All closed work orders will be reviewed to determine buses to be inspected for quality	QC Supervisor -John Wilson		In Progress					
Task# 3	How Bus Preventive Maintenance Plan will be measured	Responsibility	Target Start Date	7/1/2011	7/15/2011	8/1/2011	8/15/2011	8/31/2011	
	Training for the mechanics on the preventive maintenance process. The training period covers a two week period. The group consists of 4 mechanics. All mechanics (approx. 60) will complete the training. The next group is scheduled to begin next week. After all mechanics have completed the training, there will be on-going refresher training for all mechanics.	QC Supervisor -John Wilson		In Progress					
	Checklist of preventive maintenance steps to be performed. (see attached)	Maintenance Supervisors of designee	7/1/2011						
Task# 4	Reconcile the mileage on the vehicles with the recorded mileage in the Spear database and make the necessary changes.	Responsibility	Target Start Date	7/1/2011	7/15/2011	8/1/2011	8/15/2011	8/31/2011	
	Pull the mileage from each odometer and the hours from the meter off the engine and perform a comparison/reconciliation. Perform this process on all down vehicles on 6/28/2011. Perform this process on the services vehicles on 6/29/2011. Pull the Spear reading for each vehicle and reconcile with odometer/engine hours' reading. Perform research to determine what the most accurate mileage should be and complete all reconciliations by July 10, 2011.	Maintenance Supervisors, Superintendent of Fleet Maintenance and Quality Control Supervisor		In Progress					
Task# 5	Improve tracking system on Paratransit vehicle's PMIs by the contractor	Responsibility	Target Start Date	7/1/2011	7/15/2011	8/1/2011	8/15/2011	8/31/2011	
	Visit MV Transit weekly to inspect records, monitor their preventive maintenance procedures.	Superintendent of Fleet Maintenance		In Progress					
	Perform vehicle inspection decals for PMI due dates.	Superintendent of Fleet Maintenance		In Progress					

III.3 – APPENDIX ITEM 1

INFORMATION TECHNOLOGY ACTION PLAN

3 PAGES FOLLOW

**HRT Information Technology
Action Plan**

Review Area	Recommendation	Deficiency	Responsible Party	Response Due	Actual Completion Date	HRT Action Plan	Status
Information Technology Controls III.3 - 1	Continue with ongoing efforts and implement formal Information Technology Security Policies and Procedures	Significant Deficiency	Herb Duvall	120 days		HRT is in the process of formalizing all the IT security processes and practices into a comprehensive policy. This policy will be documented in accordance with the agency Policies and Procedures initiative. IT Security Policies and Procedures will be created in conjunction with the Internal Auditor.	In progress
Information Technology Controls III.3 - 2	Appoint an Information Security Officer (ISO) or Information Security Manager with the responsibility for developing and enforcing security policies	Significant Deficiency	Alesia Cain	120 days		<p>HRT proposes to split responsibility amongst existing staff. Specific oversight responsibilities related to implementation of HRT's Information Security Policy. Preliminary thought is that duties would include:</p> <ul style="list-style-type: none"> a. Reviewing and recommending strategies to implement the Information Security Policy. b. Analyzing the business impact of proposed strategies on the agency. c. Approving proposed strategies. d. Serving as a champion for accepted strategies within respective departments. e. Performing validation and verification of policies and procedures utilized by the Information Technology staff - ensuring they are properly enforced. Overseeing the review and approval of Information Security Policy exceptions. <p>The Manager of IT and the Network/Security Engineer will oversee the agency's information security program. Responsibilities will include the following:</p> <ul style="list-style-type: none"> a. Developing and implementing an enterprise-wide information security program. b. Documenting and disseminating information security policies and procedures. c. Coordinating the development and implementation of a enterprise-wide information security training and awareness program. d. Coordinating a response to actual or suspected breaches in the confidentiality, integrity or availability of agency data. <ul style="list-style-type: none"> • Appointment of Network/Security Engineer is in process and expected to be completed by July 2011 • Preliminary Information Security Program to be drafted by November 2011 	In progress
Information Technology Controls III.3 - 3 *	System Wide: Implement password policies and procedures that cover password length, maximum password age, complexity requirements, password history, and account lockout.	Significant Deficiency	Herb Duvall	120 days		HRT has implemented appropriate password policies on the HRT network and for Financials systems. Policy and procedures must be created. A review of existing implementation will be conducted to ensure the policy is properly enforced.	In Progress
Information Technology Controls III.3 - 4 *	PeopleSoft: Implement password policies and procedures that cover password length, maximum password age, complexity requirements, password history, and account lockout.	Significant Deficiency	Glenda Dixon	120 days		HRT has implemented appropriate password policies on the HRT network and for Financials systems. Policy and procedures must be created. A review of existing implementation will be conducted to ensure the policy is properly enforced.	In Progress
Information Technology Controls III.3 - 5 *	System Wide: Develop procedures for periodically reviewing and recertifying remote access and server room access permissions.	Significant Deficiency	Herb Duvall	120 days		HRT will determine best way to extract user names with remote access permission from Active Directory to facilitate a scheduled review of those with this permission. IT and the Safety and Security office will set a schedule for reviewing the names of personnel with card access to the server room.	In Progress

HRT Information Technology

Action Plan

Review Area	Recommendation	Deficiency	Responsible Party	Response Due	Actual Completion Date	HRT Action Plan	Status
Information Technology Controls III.3 - 6 *	PeopleSoft: Develop procedures for periodically reviewing and recertifying PeopleSoft and Oracle access permissions.	Significant Deficiency	Glenda Dixon	120 days		<p>HRT is in the process of creating security policies and procedures governing access to</p> <ul style="list-style-type: none"> - PeopleSoft Financials web application - Oracle Access to PeopleSoft Financials database <p>Policies and procedures include information on:</p> <ul style="list-style-type: none"> - Obtaining new access (policy currently in place formal procedures needed) - Change Requests (policy currently in place formal procedures needed) - Job Transfers - Terminations/Retirements (policy currently in place formal procedures needed) - Leave of Absence - Quarterly review for <ul style="list-style-type: none"> o Non usage over 120 days o Re-certification (account review) <ul style="list-style-type: none"> = Current job functions support access = Ensure roles assigned to individuals are consistent with their current job functions <p>Note:</p> <p>Currently it is known that some users may have more access than their job functions require. To correctly clean-up this issue would entail first coming up with security strategy within the PeopleSoft Financials application (whether by job function or some alternative) and then re-aligning current user access. Due to lack of resources with needed skill set and time this clean-up (initiative) had been identified to be completed as part of PeopleSoft Financials 9.x upgrade. New employees are set-up with applicable access required by job function.</p>	In Progress
Information Technology Controls III.3 - 7	Implement standard forms for requesting and approving access to the sensitive areas (Server Room and Money Room).	Significant Deficiency	Alesia Cain	120 days		IT has started working with Safety and Security Department and Revenue Department to implement policy and procedure. Currently a database is maintained with an active list of staff access capabilities to the IT server room and the money room. This list will be audited and recertified by IT Management, Revenue Management and Security Management. Log sheets are maintained and security sheets are signed for key assignment.	In Progress
Information Technology Controls III.3 - 8	Develop a formal process for performing independent risk assessments including vulnerability assessments of the information systems. The risk assessment should be reviewed periodically to ensure that it continues to address changes in the IT operating environment.	Significant Deficiency	Herb Duvall	120 days		<p>HRT proposes to develop a Request for Proposal (RFP) to hire a contractor/consultant to create an independent process and to complete the agency's risk and vulnerability assessment of the Peoplesoft Financial System.</p> <p>The process will include a regular review timeframe to ensure changes within the IT operating environment are incorporated as needed. This RFP will be completed in August 2011. The target contract award date will be early September 2011. The target contract completion date will be the end of October 2011.</p>	In Progress
Information Technology Controls III.3 - 9	Ensure that the weekly Peoplesoft backup tapes are rotated to an offsite location that is geographically separated from the Hampton and Norfolk primary locations	Significant Deficiency	Herb Duvall	120 days		<p>HRT proposes to develop a Request for Proposal (RFP) to hire a contractor/consultant to research and recommend a method of off-site storage that is geographically separated from Hampton and Norfolk primary locations. The RFP will ensure the results include alternatives and "best" choice based on requirements. The RFP will be complete in August 2011. The target contract award date will be in early September 2011. The target contract completion date will be the end of October 2011.</p>	In Progress
Information Technology Controls III.3 - 10	Develop procedures to require periodic testing of backup tapes for the financial system at least annually	Significant Deficiency	Herb Duvall	120 days		HRT has draft tape backup procedures in place. Formal schedule and process need to be created, documented and implemented.	In Progress

HRT Information Technology

Action Plan

Review Area	Recommendation	Deficiency	Responsible Party	Response Due	Actual Completion Date	HRT Action Plan	Status
Information Technology Controls III.3 - 11	Develop a formal disaster recovery plan for the Peoplesoft Financial System	Significant Deficiency	Glenda Dixon	120 days		HRT proposes to develop a Request for Proposal (RFP) to hire a contractor/consultant to create a formal disaster recovery plan for the Peoplesoft Financial system. The RFP will be complete in August 2011. The target contract award date will be in early September 2011. The target contract completion date will be the end of October 2011.	In Progress
Information Technology Controls III.3 - 12	Develop procedures to identify the events that are required to be logged by the financial systems. The procedures should also establish requirements for periodically reviewing the logs for unusual/suspicious activity.	Significant Deficiency	Glenda Dixon	120 days		HRT IT staff will work with Finance stakeholders to determine business requirements for creating audit trails (logging) of critical business events within the PeopleSoft Financials system. The process will include: - Finance stakeholders identifying those key activities that need to be audited - IT turning on appropriate level of auditing to log these activities - Policy and procedures to define the process and frequency for review of the logged information by Finance stakeholders to determine if inappropriate activities have occurred	In Progress
Information Technology Controls III.3 - 13	Perform environmental controls testing for the Uninterruptible Power Supply (UPS) system, Power Generator, Fire Suppression System, and Smoke Detectors for the server room and document the result.	Significant Deficiency	Alesia Cain	120 days		IT has obtained copies of Fire Suppression, Smoke Detector, and Power Generator testing for the past year from Facilities. IT will work closely with Facilities to create procedures and policies necessary to ensure environmental controls testing is actively performed and logs are maintained properly.	In Progress

* HRT divided these into PeopleSoft and all Other Systems

III.5 – APPENDIX ITEM 1

RY 2010 ORIGINAL SUBMISSION FOR NTD REPORTING – 12/9/2010

NTD Internet Reporting - Mozilla Firefox

Federal Transit Administration (US) https://www.ntdprogram.gov/NTD/context.do Google

Most Visited Getting Started Latest Headlines Customize Links Free Hotmail Windows Marketplace Windows Media Windows Add to Wish List

NTD Internet Reporting

NTD Internet Reporting - Forms Summary Logout

NTD ID: 3083 Agency Name: Transportation District Commission of Hampton Roads, dba: Hampton Roads Transit Report:

RY 2010 Original Submission 12/9/10

Home e-File Annual Monthly Rideship Safety & Security Notes Issues Reports Communications Sys Admin Help

Module	Form Name	Mode-Service	Update User	Update Date	Issues
Basic Information	Identification (B-10)	NTD3083	12/9/10	0	0
	Contacts (B-20)	jgiorgis	11/15/10	0	0
	Contractual Relationship (B-30) MVTransportation - DR	NTD3083	12/9/10	0	0
	Contractual Relationship (B-30) Norfolk by Boat - FB	EDT3083	12/7/10	0	0
Financial					
Sources of Funds–Funds Expended & Funds Earned (F-10)	EDT3083	12/9/10	0	0	
Uses of Capital (F-20)	EDT3083	12/9/10	0	0	
Operating Expenses (F-30)	DR PT	NTD3083	12/9/10	0	0
Operating Expenses (F-30)	FB PT	EDT3083	12/8/10	0	0
Operating Expenses (F-30)	MB DO	EDT3083	12/7/10	0	0
Operating Expenses (F-30)	VP DO	NTD3083	12/9/10	0	0
Operating Expenses Summary (F-40)	NTD3083	12/9/10	0	0	
Assets					
Stations and Maintenance Facilities - DO (A-10)	MB DO	CEO3083	12/9/10	0	0
Stations and Maintenance Facilities - DO (A-10)	VP DO	CEO3083	12/9/10	0	0
Stations and Maintenance Facilities - PT (A-10)	DR PT	CEO3083	12/9/10	0	0

Done

III.5 – APPENDIX ITEM 2

DATA ANALYTICS NTD TRACKING REPORT BY FORM

NTD and OLGA Data Requirements for Annual Report with Data Description

Does not include all reporting requirements for internal reporting

Mode	Form	Source Department	Data Description	Date Due to Data Analytics	Responsible Person
Aggregate	D-10	Finance	Financial Audit Report	October 1st	Barry Herring
		Planning	NTD Audit Report (LAS-FD as needed and LAS-FFA-10)	November 30th	Cathy Young
	F-10	Finance	Funds used to pay back principal and interest on bonds and loans used for operations	September 15th	Hien Hoang
			Bond proceeds and loan amounts	September 15th	Hien Hoang
			Funds used to pay back interest and principal on bonds and loans	September 15th	Hien Hoang
			Amount of Other Transportation Revenues, Park and Ride, Enhancement Services, etc.	September 15th	Hien Hoang
			Amount of Non-Transportation Revenue, i.e., scrap sales, Tower lease, etc.	September 15th	Hien Hoang
	Finance/ Grants		Amount of Federal Grant Funds by Grant Section Number and Year used for Operations	September 15th	Sharhonda Rush
			Amount of Federal Grant Funds by Grant Section Number and Year used for Capital	September 15th	Sharhonda Rush
			Amount of Local Operating Subsidy by Type of Fund, i.e., general revenues, income tax, sales tax, etc.	September 15th	Barry Herring
			Amount of State Operating Subside by Type of Fund, i.e., general revenues, income tax, sales tax, etc.	September 15th	Barry Herring
			Amount of Local Capital Subsidy by Type of Fund, i.e., general revenues, income tax, sales tax, etc.	September 15th	Sharhonda Rush
			Amount of State Capital Subsidy by Type of Fund, i.e. genreal revenues, income tax, sales tax, etc.	September 15th	Sharhonda Rush

III.5 – APPENDIX ITEM 3

FINANCIAL MANAGEMENT POLICY

3 PAGES FOLLOW



Functional Area: Financial Management

Type: Policy (Draft)

Effective Date:

Purpose:

To provide accurate, current and complete disclosure of the financial results of financially assisted activities. 49 CFR 18.20 (b) (1)

Financial Management:

Under the requirements of the Federal Transit Administration (FTA) and the Department of Rail and Public Transportation (DRPT), HRT is responsible for providing and maintaining standards for its financial management systems. For proper management, internal controls must be used in all operating, accounting, financial, and administrative systems. To ensure proper accountability for grant funds, internal controls must be integrated with the management systems used by the grantee to regulate and guide its operations.

- HRT shall provide accurate, current and complete disclosure of its financial results of federal and state assisted activities in accordance with the financial reporting requirements.
- Effective control and accountability shall be maintained for all cash, real and personal property, and other assets. HRT shall adhere to FTA C 5010.1D regarding the policy for ECHO (Electronic Clearing House Operation) payments. HRT shall comply with the requirements established in the Department of Treasury in that cash drawdowns will be disbursed within three business days of receipt.
- HRT shall maintain all books, documents, papers, accounting records and any other evidence, supporting its activities and the costs incurred. These records shall be kept in accordance with commonly accepted industry business procedures. Such information shall made available for audit and inspection at all reasonable times during the Project Agreement period and for a period of four years from the end of the state fiscal year (i.e., June



Functional Area: Financial Management

Type: Policy (Draft)

Effective Date:

30th) in which the final payment is made for a Project Agreement except for records pertaining to facilities and land.

- Records for facilities shall be kept for the useful life of the facility and records for the land shall be kept in perpetuity. HRT shall maintain supporting documentation for amounts reported on the Operating Assistance Financial Eligibility Forms during the course of the grant period and for three years thereafter. HRT shall reconcile the operating expenses reporting on the Operating Assistance Final Eligibility Forms to its general ledger and financial statements.
- HRT shall maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.
- HRT shall have a reliable information system that provides operating and financial data for decision making and performance review.
- HRT shall have an annual audit of its records by an independent certified public accountant. The audit must follow the requirements of OMB (Office of Management and Budget) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations; the Specifications for Audits of Authorities, Boards, and Commissions issued by the Auditor of Public Accounts of the Commonwealth of Virginia.



Functional Area: Financial Management

Type: Policy (Draft)

Effective Date:

- HRT shall submit the Single Audit Reporting package (including the final audited financial statements, final single audit report, corrective action plan, if applicable, and completed data collection form) electronically via the Federal Audit Clearinghouse within the earlier of 30 days after receipt of the auditor's report, or nine months after the end of the HRT's fiscal year end date or March 31st. HRT will monitor the submissions of the external auditor to ensure compliance with the March 31st deadline.

Specific Financial Management Policy for Department of Rail and Public Transportation (DRPT)

- HRT shall request reimbursement for eligible expenses on a cost reimbursement basis in accordance with the current Master Agreement. HRT shall submit reimbursement requests no more frequently than once per month, unless approved by DRPT in advance. Reimbursement by DRPT shall be made within 30 calendar days of receipt of the request. Any expenditure subsequently found not to be in accordance with the provisions of the Master Agreement, related Project Agreements, of Federal, State, or Local law shall be repaid to DRPT within 60 calendar days of such notice. Should HRT receive an advance payment from DRPT under a special Project Agreement, HRT shall remit payment to the contractors/vendors within 5 business days of receipt. Should HRT be unable to meet this provision for any reason, it shall contact the Chief Financial Officer of DRPT immediately in writing.

For all Capital Funding, regardless of the source: HRT shall have all funding identified, awarded with signed contracts, and available prior to commencing any capital project. HRT shall determine that the cash flow of the funding sources is adequate to pay the contractor's/vendor's invoices as they become due. HRT shall ensure that all aspects of compliance with the funding partners are adhered to prior to approval.

III.6 – APPENDIX ITEM 1

TIMESHEET APPROVAL POLICY
1 PAGE FOLLOWS



Timesheet Approval

Type: Policy/Procedures (Draft)

Effective Date:

Policy

Federal Transit Administration Circular 5010.1D and 49 CFR (Code of Federal Regulations) part 18 subpart C section 18.20 provide that Grantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. Also, that the accounting records must be supported by such source documentation such as payrolls and time and attendance records, etc.

Procedure

All administrative timesheets must have an approval signature, especially those supported by any type of grant funding. It is the employee's responsibility to ensure an approved timesheet is submitted on their behalf. Any timesheet that is received by the payroll office that does not have an approval signature will not be processed.

Notification: The Director of Accounting will immediately notify the affected department managers of non approved timesheets immediately.

Designation: Supervisors are responsible for confirming that an employee has worked the hours noted on the timesheet. If a supervisor may be unavailable for approving their staff's timesheet should designate an alternate. The alternate must understand that their signature and approval indicates their approval of the time worked by the employee.

Accountability: Employees who do not obtain an approval on their timesheet may be at risk of not being paid on the ensuing payroll. If the employee misses the regularly scheduled payroll due to failure to get their timesheet approved, they can be paid on the following payroll with an approved timesheet submitted.

Grants: Prior to the Grants Accounting Officer charging salaries to any Grant an additional level of review will occur to ensure that all timesheets are approved as required prior to submission to Federal, State or Local funding partners for reimbursement.

IV.1 – APPENDIX ITEM 1

ASSET DISPOSAL MANAGEMENT PROCEDURES

11 PAGES FOLLOW

**Asset Disposal Procedures****Type:** Policy/Procedures (Draft)**Effective Date:****Asset Disposal Management Procedures****General**

The purpose of this topic is to provide guidance in the overall management of asset disposals. To properly manage asset disposals, the Asset Management (AM) Module in PeopleSoft allows you to maintain the disposal method and date of disposition to properly control and document disposal activity. When a capitalized asset is disposed of, its value is removed from the financial balances reported and from Capital Assets inventory reports; however, the asset record, including disposal information, remains on the master file. This preserves an audit trail for disposed items, and facilitates agency comparisons between actual or historical useful life information with useful life guidelines. A disposal action is appropriate only when certain conditions occur resulting in an asset no longer being in the possession of the agency. Assets that are no longer in use and remain in the possession of the agency are considered surplus property and not a disposal.

It is important to accurately post asset disposals to the Asset Management (AM) Module in PeopleSoft in a timely manner.

Disposition Code for retire an asset:

- Retirement by auction
- Abandonment
- Auto-Retire Full Depreciated Assets
- Cannibalization for other assets (for example: cannibalized the other vehicles for spare parts when their supply line failed)
- Casualty Loss (Accident)
- Disposal Due to Theft
- Scrapped Assets
- Like kind exchange

Casualty Loss

Fixed asset items that are destroyed by fire or other catastrophic circumstances must be removed from AM records. Casualty loss items are to be appropriately identified on the AM input screen by using the proper disposal code. AM provides a disposal report on casualty loss items to provide an audit trail and any information necessary on the asset item for Risk Management.

Internal Control

Department Heads should implement cost beneficial internal control procedures to ensure that:

- Disposal reports are reviewed to detect the existence of poor asset control.

**Asset Disposal Procedures****Type:** Policy/Procedures (Draft)**Effective Date:**

- Adequate separation of duties exists between asset physical control and disposal approval.
- Procedures exist for the identification and evaluation of disposals of a suspicious nature.
- Disposal reports are reviewed to provide more precise definition of an asset's useful life.
- The proper condition exists for the disposal action to occur.
- The disposed asset is removed from AM Module in a timely manner.
- The effective date of the transaction posted in AM Module is the actual date the condition occurred.
- Stolen property removed from AM Module or reported to security in a timely manner.

Department Heads are responsible for reviewing, evaluating causes leading to disposals, and controlling disposals when the dispositions represent problems, inefficiencies, and/or the occurrence of unnecessary cost.

At the time the disposal transaction is processed, the book value of the asset is removed from the Asset Management (AM) Module. Asset Management manager should periodically review the fixed asset information contained in AM Module to ensure that assets that are no longer under the control of the agency have been properly disposed in AM. Disposal date and other disposal related field must be accurate. Disposals should be recorded in AM Module during the fiscal year in which the change in asset status occurred.

Fiscal records related to managing fixed assets should be retained until the grant has been closed. However, for pending, ongoing, or unresolved litigation, audits or claims, retain documentation until completion, resolution, or negotiation of settlements. Destruction of records must be in accordance with the guidelines from FTA code of Federal Regulations, Title 49, Volume 1, Part 1 to 99 Revised as of October 1, 2000 (49CFR18.32) by which using as guidelines for the disposition of equipment acquired under a grant or subgrant.

Disposition:

- a. Any disposition of rolling stock before the end of its service life requires prior FTA approval. FTA is reimbursed its share of the proceeds from disposition. If revenue rolling stock is being removed from service before the end of its useful life, the return to FTA is the greater of the FTA share of the unamortized value of the remaining service life per unit, based on straight line depreciation of the original purchase price, or the Federal share of the sales price (even though the unamortized value is \$5,000 or less).
- b. After the minimum useful life of project property is reached and is no longer needed for the original project or program, it may be used by the grantee for other transit projects or programs. FTA prior approval of this alternative is not required. FTA retains its interest if the fair market value of the project property is over \$5,000.



Asset Disposal Procedures

Type: Policy/Procedures (Draft)

Effective Date:

- c. After the service life of project property is reached, rolling stock and equipment with a current market value exceeding \$5,000 per unit, or unused supplies with a total aggregate fair market value of more than \$5,000, may be retained or sold, with reimbursement to FTA of an amount calculated by multiplying the total aggregate fair market value at the time of disposition, or the net sale proceeds, by the percentage of FTA's participation in the original grant. The letter sent to FTA should state whether the equipment will be retained or sold.
- d. Equipment with a unit market value of \$5,000 or less, or supplies with a total aggregate market value of \$5,000 or less, may be retained, sold or otherwise disposed of with no obligation to reimburse FTA, providing useful service life requirements have been met.
- e. With prior FTA approval, HRT may elect to use the trade-in value or the sales proceeds to offset the cost of a replacement bus or rail transit vehicle to acquire a replacement vehicle, applying 100 percent of the net proceeds to acquisition of the replacement vehicles. Remaining cost differences, if more than the proceeds, are to be met by the grantee. Excess proceeds, if any, are used to reduce the overall investment in the gross project cost.
- f. With prior FTA approval, HRT may follow procedures for publication in the Federal Register to transfer property (including land or equipment) to a public agency with no repayment to FTA. These procedures are available from the appropriate FTA regional office.

Performance Requirements

a. Contractor Responsibilities

- Orchestrate the sale of non-real HRT property through a public and competitive bidding process. Property may include: vehicles, vehicle parts, machinery and equipment, computer hardware and peripherals, office furniture, office equipment, office supplies, and other miscellaneous items. At HRT's discretion, the competitive auction shall take place at the Contractor's facility or any one of HRT's facilities specified below:

3400 Victoria Blvd.
Hampton, Virginia

1400 Parks Ave.
Virginia Beach, Virginia

1500 Monticello Ave.
Norfolk, Virginia



Asset Disposal Procedures

Type: Policy/Procedures (Draft)

Effective Date:

- Advertise public auctions at least 30-days prior to the date of sale in order to attract the best potential buyers. (Virginian-Pilot, Daily Press)
 - Several media forms shall be exploited such as mailing brochures internet website, and local printed publications
 - Photographs may be used to illustrate products and motivate prospective buyers
- Inspect property, tag with lot numbers, verify equipment serial numbers, and arrange for public viewing prior to and during sale.
- Property shall be available to the general public for examination for at least five days prior to the date of the scheduled auction.
- Advise HRT to facilitate sale and maximize financial returns.
- Conduct as many auctions as deemed necessary by HRT. The auctions shall commence within 90-days of the request, on a date/time and at a location agreeable to HRT.
- Contractor shall maintain appropriate insurance coverage for theft, damage, and loss of HRT property in the Contractor's possession.
- Contractor shall help ensure that no employee acting in a procurement capacity at Hampton Roads Transit participates in any auction.

b. Terms of Sale

- All sales shall be final.
- Contractor shall collect buyers' payments and shall not extend credit or accept promissory notes unless specifically authorized by HRT.
- Contractor shall ensure that sold property is removed from HRT property within 96-hours of sale.
- Contractor shall consolidate sales proceeds for each auction and deliver the total amount, by check made out to HRT, not later than 10 days following sale.



Asset Disposal Procedures

Type: Policy/Procedures (Draft)

Effective Date:

c. Contractor Compensation

- Contractor shall charge a "buyers premium" to receive compensation for their auction services. Computation of the "buyers premium" shall be clearly illustrated to buyers as either a flat rate or as a percentage of the individual sale.
- Fees for other unidentified services as specifically requested and pre-authorized by HRT may apply.

d. Contractor's Requirements for Records and Documentation

- Contractor shall prepare and process all necessary sales documentation such as Bill of Sale, Release from Liability, etc.
- Contractor shall maintain full records of sales and provide copies of such to HRT, as requested.
- Contractor shall ensure attached Release of Liability form is signed by buyer before obtaining title to any vehicle or property.

e. General

- HRT makes no guarantee on the type or amount of merchandise requiring disposal throughout the life of this contract.
- HRT may establish minimum sales prices, prior to auction, for any item.

f. HRT Responsibilities

- HRT shall prepare all items for sale as necessary to meet Commission and Contractor's requirements. Preparations shall include removal of HRT markings, license plates, inspection stickers, and leased equipment from vehicles. Additionally, proprietary software and data shall be removed from computer hardware.
- HRT shall provide the Contractor with all required merchandise identification information. Additionally, HRT shall provide item operational and historical information, if available.
- HRT must provide evidence of vehicle ownership and have possession of a title document certified by the Department of Motor Vehicles.

**Asset Disposal Procedures****Type:** Policy/Procedures (Draft)**Effective Date:**

- HRT makes no guarantee or warranty, implied or otherwise, of the operational condition or life expectancy of items sold.
- HRT will transport vehicles and merchandise to the predetermined auction site. Post-sale transportation shall be the responsibility of the buyer.
- HRT will determine the independent fair market value to each asset using www.bussolutions.com or comparable service prior to being released to the auctioneer.

g. Auction Location

HRT maintenance facility: Hampton Roads Transit (site location as specified by Project Manager).

h. Vehicle Removal

Buyers must remove assets from HRT grounds no later than five working days after the auction sale date. The Contractor shall provide each buyer with a receipt showing a description of the asset bought. Buyers shall present asset receipt to HRT before removal.

i. Website Link

With Contractor's concurrence, HRT will provide a link from the HRT web site to Contractor's to further publicize the auction. Contact HRT (IT Department) for arrangements.

j. Liability Form

Contractor shall ensure each buyer signs the attached Release of Liability form.

k. Contingency

Ensure the auction is held and advertised as "rain or shine."



Asset Disposal Procedures

Type: Policy/Procedures (Draft)

Effective Date:

Procedure

HOW TO RETIRE AN ASSET

The screenshot shows the PeopleSoft Retire Assets interface. The left sidebar menu is expanded to show the Asset Management section. In the main window, the 'Retire Assets' tab is selected. The asset details are: Unit: HRT01, Asset ID: FY03307-13, Type: 12 PASSENGER-PT GAS VAN #3031, Tag: In Service. The transaction date is 06/30/2006, and the accounting date is 06/30/2006. The rate type is CRRNT. The book information shows Book Name: FEDERAL, Federal Reporting Book, Currency: USD, As Of: 07/09/2007, Quantity: 1.0000, Cost: 49,700.00. The disposal code is Retirement Sale, Convention: Actual Month, Date/Time: 07/09/2007 10:44:50AM. The status is Unretired. The bottom section contains options for calculations, including checkboxes for Use Original Cost, Recalc Cost Using Index, and Include Non Capitalized Cost. It also includes fields for Basis Reduction Code, Index Name, SubIndex, Reference Code, and a Trade In Asset field. A 'Retire' button is highlighted with a red circle.

- Navigate to the Fixed Asset that needs to be Retired.
- Click on the Retire button then at the drop out disposal code choose the correct code.



Asset Disposal Procedures

Type: Policy/Procedures (Draft)

Effective Date:

Retire/Reinstate Asset - Microsoft Internet Explorer

File Edit View Favorites Tools Help

Address: http://hrt-apps07-ns/psp/frintst/EMPLOYEE/ERP/c/MANAGE_ASSETS.RETIRE.GBL

Google Go Bookmarks Popups okay Check AutoLink Send to Settings

PeopleSoft®

Home Worklist Add to Favorites Sign out

Menu

- D eSettlements
- D Asset Management
 - D Owned Assets
 - D Leased Assets
 - D Send/Receive Information
 - D Financial Transactions
 - Cost Adjust/Transfer Asset
 - Transfer Operating Lease
 - D Retire/Reinstate Asset**
 - Retire/Reinstate Non-Fin Asset
 - Auto-Retire Fully Depr Assets
 - InterUnit Parent-Child Trans
 - Revaluation en Masse
 - D Calculate Depreciation
 - D Review Cost/Depr Activity
 - D Accounting Entries
 - D Service and Repair
 - D Physical Inventory
 - D Mass Change
 - D Archive Asset Information
 - D Capital Acquisition Planning
 - D Reports
 - Asset Management Home
 - Search for an Asset
 - Print an Asset
- D Banking
- D Cash Management
- D Deal Management

Retire Assets By Charfield

Unit: HRT01 Asset ID: FY03307-13 12 PASSENGER-PT GAS VAN #3031 Tag: Disposed

Trans Date: 05/15/2005 Acctg Date: 06/30/2006 Rate Type: CRRNT

Book Name: FEDERAL Federal Reporting Book Currency: USD As Of: 07/09/2007

Quantity: 1.0000 Cost: 49,700.00

Copy Changes to Other Books

Retirement

Disposal Code: Casualty Loss

Abandonment Auto-Retire Fully Depr Assets Cannibalize for Other Assets

Casualty Loss Disappeared Assets Disposal Due to Theft Donated to External Group Like Kind Exchange Missing Asset Retirement by Sale Returned to Inventory Scrapped Assets Traded In for another Asset

Quantity: Removal 0.00 Proceeds: 0.00

Retirement: 0.00 Gain/Loss: 0.00

Options: Gain/Loss:
 Use Options
 Recalc Cost Using Index

Conversion: Actual Month Date/Time: 07/09/2007 10:44:50AM

Trans Code: Retire Option: Calculate Gain/Loss Auto-Retired

Local Internet

start Inbox - Microsoft Out... FY 2006 FIXED ASSE... LIST OF FY06 ASSE... Retire/Reinstate As... Document2 - Micro... 10:48 AM

- Make sure the proper Disposal Code is selected and that transaction date and accounting date are correct.
- Click Save



THIS IS A RELEASE OF LIABILITY

READ BEFORE SIGNING

**THIS FORM MUST BE SIGNED BEFORE REMOVING ANY
VEHICLE/PROPERTY FROM HRT**

RELEASE OF LIABILITY

The Transportation District Commission of Hampton Roads ("Hampton Roads Transit") hereby provides, by sale or donation, the below-named vehicle/property.

You accept the vehicle/property in an "as is" condition and at your own risk. Hampton Roads Transit disclaims all warranties of any kind, whether express or implied, including, but not limited to any warranties of merchantability or fitness for a particular use or mechanical/safety condition.

You release, indemnify and hold harmless Hampton Roads Transit, its Commissioners, employees, successors and assigns from any and all claims, demands and damages (whether actual and/or consequential), resulting from the operation of the vehicle/property. You agree Hampton Roads Transit takes no further responsibility for said vehicle/property as of this signing.

You agree to promptly, within 24 hours, to register any such vehicle, as applicable, with the Department of Motor Vehicles, and transfer the title to the new Owner's name.

Vehicle/Property Identification: _____

Signature

Date/Time

Title

Organization



BID FORM

The undersigned hereby submits a sealed bid on the following HRT asset:

Asset Name: _____

Asset ID Number: _____

Bid Amount: \$ _____

Attached is a certified check or money order payable to Hampton Roads Transit.

(Unsuccessful bids will be returned by mail to the organization/individual shown below.)

Organization/Individual Name:

Address:

Phone:

Organization Type: For-profit enterprise or individual

Not-for-profit enterprise (attach evidence)

Governmental organization (attach evidence)

I agree sale is "as is and where is," without implied or express warranties and with no warranty of merchantability. I understand HRT will provide no service of any kind on the vehicle/property and no delivery. I agree to remove the vehicle/property within 24 hours of notice of award.

Name (printed) _____

Signature _____



ASSET DISPOSAL FORM

Description: _____

Asset ID: _____

Fair Market Value: _____

Valuation Derived From: _____

Current Location: _____

Point of Contact: _____

Special Instructions: _____

Chief Officer of the Dept disposing of property

Chief Officer of Transit Operations

Chief Environmental and Facilities Officer
As the delegated approving authority for the CEO

IV.3 – APPENDIX ITEM I

SAMPLE OF PROJECT FUNDING CROSSWALK
1 PAGE FOLLOWS

Project Funding Crosswalk

SAMPLE PRESENTATION

GENERAL PROJECT INFORMATION				PROJECT BUDGET FUNDING SOURCES											FUNDING REVIEW		
Project Manager	Project Name	PeopleSoft Account Number	Project Total per TEAM	Federal Grant #	PeopleSoft Federal Fund	Federal Funding %	Federal Project Budget	State Project #	PeopleSoft State Fund	State Matching %	State Project Budget	State Contract End Date	PeopleSoft Local Fund	Local %	Local Cities Capital Contribution	Total Budgets	Fully Funded Project?
Karen Waterman	VB Rail Analysis Study	602101	1,500,000.00	VA95-X063	2541	80.00%	1,200,000	72510-63	5801	20.00%	300,000	9/30/2011	N/A - funded with Federal & State	0.00%	-	1,500,000	Yes